

**MİGROS TİCARET A.Ş.
AND ITS SUBSIDIARIES**

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
1 JANUARY – 31 DECEMBER 2019

(ORIGINALLY ISSUED IN TURKISH)

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FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
MİGROS TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	Current Year 31 December 2019	Prior Year 31 December 2018
ASSETS			
Current Assets:			
Cash and cash equivalents	4	2.328.309	1.750.516
Financial investments	5	19.714	18.450
Trade receivables	6	126.354	121.114
<i>Trade receivables from related parties</i>	27	749	746
<i>Trade receivables from third parties</i>		125.605	120.368
Other receivables from third parties	7	35.709	27.584
<i>Other receivables from third parties</i>	7	35.709	27.584
Inventories	8	2.666.449	2.249.052
Prepaid expenses	9	82.734	71.897
Current income tax assets	25	11.755	49.477
Other current assets		5.899	10.382
Sub total		5.276.923	4.298.472
Assets held for sale	15	-	175.789
Total current assets		5.276.923	4.474.261
Non-current assets:			
Financial investments	5	4.415	1.165
Other receivables	7	5.265	5.480
<i>Other receivables from third parties</i>	7	5.265	5.480
Investment properties	10	-	32.325
Property, plant and equipment	11	3.736.238	3.863.042
Intangible assets		2.445.825	2.479.242
<i>Goodwill</i>	13	2.252.992	2.252.992
<i>Other intangible assets</i>	12	192.833	226.250
Prepaid expenses	9	38.041	27.581
Right-of-use assets	14	2.954.168	-
Deferred tax assets	25	-	1.765
Total non-current assets		9.183.952	6.410.600
Total assets		14.460.875	10.884.861

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

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	Current Year 31 December 2019	Prior Year 31 December 2018
LIABILITIES			
Current liabilities			
Short term borrowings		511.631	522.435
<i>Bank loans</i>	16	281.603	522.435
<i>Lease liabilities</i>	14	230.028	-
Short term portion of long term borrowings	16	681.251	706.655
Trade payables	6	5.743.794	4.866.750
<i>Trade payables to related parties</i>	27	255.588	213.810
<i>Trade payables to third parties</i>		5.488.206	4.652.940
Employee benefits payables	18	148.609	131.949
Other payables	7	133.660	126.474
<i>Other payables to third parties</i>	7	133.660	126.474
Derivative instruments		1.803	-
Deferred revenue	9	94.984	107.468
Short term provisions		224.605	207.464
<i>Short term provisions for employee benefits</i>	18	139.366	122.848
<i>Other short term provisions</i>	17	85.239	84.616
Other current liabilities		3.681	5.724
Total current liabilities		7.544.018	6.674.919
Non-current liabilities			
Long term borrowings		6.328.337	3.341.007
<i>Bank loans</i>	16	3.440.185	3.341.007
<i>Lease liabilities</i>	14	2.888.152	-
Other payables to third parties	7	13.026	11.903
Deferred revenue	9	3.196	4.570
Derivative instruments		26.314	71.895
Long term provisions		204.503	145.477
<i>Long term provisions for employee benefits</i>	18	204.503	145.477
Deferred tax liabilities	25	18.613	-
Total non-current liabilities		6.593.989	3.574.852
Total liabilities		14.138.007	10.249.771
EQUITY			
Attributable to equity holders of parent			
Share capital	26	181.054	181.054
Other capital reserves		(365)	(365)
Treasury shares (-)	26	(125.435)	(125.435)
Additional contribution to share capital		22.074	22.074
Other accumulated comprehensive income (loss) that will not be reclassified in profit or loss		637.922	678.012
<i>Defined benefit plans re-measurement (losses)</i>		(14.215)	(9.265)
<i>Revaluation fund of property, plant and equipment</i>		652.137	687.277
Other accumulated comprehensive income (loss) that will be reclassified in profit or loss		176.102	132.671
<i>Currency translation differences</i>		176.102	132.671
Restricted reserves		23.771	9.391
Accumulated losses		(101.808)	571.060
Net loss		(492.112)	(835.558)
Non-controlling interest		1.665	2.186
Total equity		322.868	635.090
Total liabilities and equity		14.460.875	10.884.861

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

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FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
MİGROS TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED
31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)

		Current Year	Prior Year
		1 January -	Restated
	Notes	31 December 2019	1 January -
			31 December 2018
Revenue	3, 19	23.191.364	18.717.358
Cost of sales (-)	3, 19	(16.986.111)	(13.836.817)
Gross profit		6.205.253	4.880.541
General administrative expenses (-)	20	(284.151)	(269.586)
Marketing expenses (-)	20	(4.599.972)	(3.762.168)
Other operating income	21	308.796	275.995
Other operating expense (-)	21	(825.168)	(683.692)
Operating profit		804.758	441.090
Income from investment activities	22	27.748	6.947
Expenses from investment activities (-)	22	(57.917)	(143.779)
Operating income before			
 finance income/(expense)		774.589	304.258
Financial income	23	15.866	58.018
Financial expense (-)	24	(1.257.985)	(1.409.543)
Net loss before tax from continuing operations		(467.530)	(1.047.267)
Tax expense from continuing operations		(24.440)	211.830
- Income tax expense	25	(3.122)	(32.368)
- Deferred tax income / (expense)	25	(21.318)	244.198
Net loss		(491.970)	(835.437)
Net loss attributable to:			
- Non-controlling interest		142	121
- Equity holders of parent	28	(492.112)	(835.558)
(Loss) / Earning per share TRL	28	(2,72)	(4,61)

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MİGROS TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Current Year	Prior Year
	1 January -	Restated
	31 December 2019	1 January -
		31 December 2018
Net loss for the period	(491.970)	(835.437)
Other comprehensive income	179.748	68.814
Items that may be reclassified subsequently to profit or loss		
- Defined benefit plan re-measurement losses, net off tax	(6.188)	(726)
- Revaluation fund of property, plant and equipment	145.489	(24.481)
Tax effect of items not to be reclassified to profit or loss		
Defined benefit plan re-measurement losses	1.238	145
-Revaluation fund of property, plan and equipment	(3.559)	5.401
Items to be reclassified to profit or loss		
-Currency translation differences	42.768	88.475
Total comprehensive loss	(312.222)	(766.623)
Total comprehensive income /(loss) attributable to:		
-Non-controlling interests	(521)	1.333
-Equity holders of parent	(311.701)	(767.956)

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ORIGINALLY ISSUED IN TURKISH

MİGROS TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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	Other comprehensive income/ expenses not to be reclassified to profit or loss						Other comprehensive income/ expenses to be reclassified to profit or loss						Retained earnings		
	Share capital	Other capital reserves	Tresuary shares	Additional contribution to share capital	Defined benefit plans re-measurement (losses)	Revaluation fund of property, plant and equipment	Cumulative translation losses	Restricted reserves	Accumulated gain/ (losses)	Net (loss) / income for the period	Attributable to equity holders of the parents	Non-controlling interests	Total equity		
Balances at 1 January 2018	178.030	(365)	-	27.312	(8.684)	743.700	45.311	-	(27.516)	512.706	1.470.494	56.654	1.527.148		
Transfers	3.024	-	-	(5.238)	-	(37.246)	-	9.391	598.576	(512.706)	55.801	(55.801)	-		
Decrease due to redemption of shares (Note 26)	-	-	(125.435)	-	-	-	-	-	-	-	(125.435)	-	(125.435)		
Total comprehensive income	-	-	-	-	(581)	(19.177)	87.360	-	-	(835.558)	(767.956)	1.333	(766.623)		
Net income for the period	-	-	-	-	-	-	-	-	-	(835.558)	(835.558)	121	(835.437)		
Cumulative translation differences	-	-	-	-	-	-	87.360	-	-	-	87.360	1.115	88.475		
Defined benefit plans re-measurement gains	-	-	-	-	(581)	-	-	-	-	-	(581)	-	(581)		
Revaluation fund of property, plant and equipment	-	-	-	-	-	(19.177)	-	-	-	-	(19.177)	97	(19.080)		
Balances at 31 December 2018	181.054	(365)	(125.435)	22.074	(9.265)	687.277	132.671	9.391	571.060	(835.558)	632.904	2.186	635.090		
Balances at 1 January 2019	181.054	(365)	(125.435)	22.074	(9.265)	687.277	132.671	9.391	571.060	(835.558)	632.904	2.186	635.090		
Transfers	-	-	-	-	-	(177.070)	-	14.380	(672.868)	835.558	-	-	-		
Total comprehensive income	-	-	-	-	(4.950)	141.930	43.431	-	-	(492.112)	(311.701)	(521)	(312.222)		
Net income for the period	-	-	-	-	-	-	-	-	-	(492.112)	(492.112)	142	(491.970)		
Cumulative translation differences	-	-	-	-	-	-	43.431	-	-	-	43.431	(663)	42.768		
Defined benefit plans re-measurement gains	-	-	-	-	(4.950)	21.546	-	-	-	-	16.596	-	16.596		
Revaluation fund of property, plant and equipment	-	-	-	-	-	120.384	-	-	-	-	120.384	-	120.384		
Balances at 31 December 2019	181.054	(365)	(125.435)	22.074	(14.215)	652.137	176.102	23.771	(101.808)	(492.112)	321.203	1.665	322.868		

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MİGROS TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)

		Current Year	Prior Year
		1 January -	1 January -
	Notes	31 December 2019	31 December 2018
Cash flow from operating activities:			
Net loss for the period		(491.970)	(835.437)
Adjustments related to reconciliation of loss for the period		2.760.591	2.071.834
Adjustments for depreciation and amortisation expenses	20	805.960	295.083
Adjustments for impairment on receivables	6	11.405	8.262
Adjustments for inventory provisions	8	25.664	(13.250)
Adjustments for impairment / reversals on property, plant and equipment, investment properties and asset held for sales	22	29.500	130.149
Adjustments for impairment on investment properties		-	7.185
Adjustments for provision for employee benefits	18	122.510	85.164
Adjustments for provision for litigation	17	17.693	32.135
Adjustments for interest income	21,23	(81.670)	(75.826)
Adjustments for interest expense	24	883.935	340.495
Adjustments for deferred financing due to forward purchases expenses	21	766.880	615.641
Adjustments for unearned finance income from sales	21	(183.255)	(151.180)
Adjustments for unrealized foreign exchange losses related to bank borrowings		299.404	938.121
Adjustments for fair value losses arising from derivatives	24	37.456	72.187
Adjustments for income tax expense	25	24.440	(211.830)
Loss on sale of property plant and equipment	22	669	(502)
Changes in net working capital		476.066	555.599
Adjustments for increase in trade receivables		(15.650)	(32.236)
Adjustments for increase in inventories		(443.061)	(327.556)
Adjustments for increase in other receivables related with operations		15.666	(44.630)
Adjustments for increase in trade payables		854.011	909.058
Adjustments for increase in other payables related with operations		65.100	50.963
Cash flows from operating activities		2.744.687	1.791.996
Employee benefits paid	18	(53.154)	(46.173)
Interest received		254.076	220.010
Interest paid		(746.017)	(657.091)
Taxes paid		(15.593)	(106.548)
Legal provisions paid	17	(19.064)	(11.233)
Net cash provided by operating activities		2.164.935	1.190.961

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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	Notes	Current Year 1 January - 31 December 2019	Prior Year 1 January - 31 December 2018
Cash flows from investing activities:			
Cash outflows from the purchase of investment properties, tangible and intangible assets		(340.861)	(487.751)
Cash inflows from the sale of tangible and intangible assets		469.634	172.366
Net cash provided by investing activities		128.773	(315.385)
Cash flows from financing activities			
Proceeds from borrowings	16	770.200	320.375
Repayment of borrowings	16	(1.257.980)	(625.449)
Cash outflow from repurchase of shares	26	-	(125.435)
Repayment of derivative instruments		(81.234)	(282)
Interest received	23	9.854	6.766
Interest paid		(456.271)	(316.147)
Cash outflows from payments of rent agreements		(705.131)	-
Net cash used in financing activities		(1.720.562)	(740.172)
Impact of foreign currency translation differences on cash and cash equivalents		4.647	(2.268)
Net (decrease) / increase in cash and cash equivalents		577.793	133.136
Cash and cash equivalents at the beginning of period		1.750.516	1.617.380
Cash and cash equivalents at the end of period		2.328.309	1.750.516

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT
31 DECEMBER 2019**

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Migros Ticaret A.Ş., (collectively referred to as “Migros” or the “Company”), was established on 19 March 2008 and is registered in Istanbul, Turkey under the Turkish Commercial Code. (Migros Türk Ticaret Anonim Şirketi, which was established in 1954, merged with its parent company Moonlight Perakendecilik ve Ticaret Anonim Şirketi (“Moonlight Perakendecilik”) on April 30, 2009 and the trade name of Moonlight Retailing was changed as Migros Ticaret A.Ş.)

The Company and its subsidiaries together will be referred as “the Group”.

As of 31 December 2019, the direct and indirect total of Migros’s capital shares of BC Partners (subsidiaries through “Kenan Investments S.A.”) equal to 12% and the indirect shares of AG Anadolu Grubu Holding A.Ş. (“Anadolu Group”) is 50%.

Through its Migros, 5M, Migros Jet and Macrocenter banner stores in Turkey, shopping centers, Ramstores banner stores abroad and internet, the Company is mainly engaged in the retail sales of food and beverages, consumer and durable goods. The Company also rents floor space in the shopping malls to other trading companies. As of 31 December 2019, the Group operates in 2.198 stores in total (31 December 2018: 2.103) which comprise 1.523.484 m2 from 2.177 retail stores and comprise 12.047 m2 from 21 wholesale stores with a total net space of 1.535.531 m2 (31 December 2018: 1.497.345 m2). As of 31 December 2019, the Group employed 32.253 people (31 December 2018: 28.990) on average. Retail is the main business segment of the Group and constitutes almost 96% of gross sales (31 December 2018: 96%).

The address of the registered office is as follows:

Migros Ticaret A.Ş.
Atatürk Mah., Turgut Özal Blv.
No: 7 Ataşehir, İstanbul

These consolidated financial statements have been approved for issue by the Board of Directors (“BOD”) on 2 March 2020 and signed by Ö. Özgür Tort, General Manager, and Ferit Cem Doğan, Assistant General Manager, on behalf of the BOD. The owners of the Company and regulatory bodies have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (cont’d)

Subsidiaries:

The Company has the following subsidiaries (the “Subsidiaries”). The nature of the business of the Subsidiaries and for the purpose of the consolidated financial statements, their respective geographical segments are as follows:

				December 2019	December 2018
<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Geographical segment</u>	<u>Nature of business</u>	(%)	(%)
Ramstore Bulgaria E.A.D. (“Ramstore Bulgaria”)	Bulgaria	Bulgaria	Dormant	100	100
Ramstore Kazakhstan LLC (“Ramstore Kazakhstan”)	Kazakhstan	Kazakhstan	Retailing	100	100
Ramstore Macedonia DOO (“Ramstore Macedonia”)	Macedonia	Bulgaria	Retailing	99	99
Sanal Merkez Ticaret A.Ş. (“Sanal Merkez”) (*)	Turkey	Turkey	Dormant	100	100

(*)Not included in the scope of consolidation on the grounds of materiality.

The Company has acquired 25% shares of Paket Lojistik ve Teknoloji A.Ş. on 1 November 2019. The purchase consideration reflects the fair value of the company.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Basis of preparation and presentation of financial statements

The consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (the Communiqué) published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Financial Reporting Standards (TFRS) issued by Public Oversight Accounting and Auditing Standards Authority (POAASA). TFRS contains Turkish Financial Reporting Standards (TFRS) and its addendum and interpretations. The consolidated financial statements of the Group are prepared as per the CMB announcement of 15 April 2019 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year’s consolidated financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the consolidated financial statements of the Group have been prepared accordingly.

The Company and its Turkish subsidiaries, associates and joint ventures maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TFRS.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.1.2 Changes in the accounting policies, estimates and errors

Significant changes in accounting policies and accounting errors are applied retrospectively and prior period consolidated financial statements are restated. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

2.1.3 Functional and reporting currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in TL, which is the functional currency of Migros Ticaret A.Ş. and the reporting currency of the Group.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions),
- All resulting exchange differences are recognised in other comprehensive income.

The functional currencies of the foreign operations are Tenge and Dinar.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.2 Summary of significant accounting policies

Accounting policies applied by subsidiaries can be changed in order to convenience with the accounting policies applied by the Group. accounting policies which applied to preperation of consolidated financial statements are summarized is as follows:

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Subsidiaries are companies over which Migros Ticaret has capability to control the financial and operating policies for the benefit of Migros Ticaret, through the power to exercise more than 50% of the voting rights relating to shares in the companies owned direct and indirect by itself having the power to exercise control over the financial and operating policies.

Intercompany transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.2 Summary of significant accounting policies (Continued)

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a basis within other operating income or other operating expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

Revenue

The Company records revenue when fullfills performance obligation while transferring committed service to their customer. Asset is transferred when service control is transferred or transferring to customer. Transaction fee, excluded amounts collected on behalf of third parties, is expected cost of the Company that in return of transferring committed advertisement and sponsorship services to customer. The Company reflects relevant amount as revenue to its financial statements when transfers control of these services to its customer.

The Company records revenue accordance with the following 5 main principles:

- (a) Determination of customer contracts
- (b) Determination of performance obligation on contracts
- (c) Determination of transaction fee on contracts
- (d) Allocation of transaction price to performance obligation in contracts
- (e) Revenue recognition when each performance obligation is fulfilled.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.2 Summary of significant accounting policies (Continued)

Revenue

The specific accounting policies for the group’s main types of revenue are explained below:

Sales of goods - Retail

The Group operates in the retail sales of food and beverages, consumer and durable goods through its stores, shopping centers, Ramstores Banner abroad and internet sales. Sales of goods are recognised when the performance obligation is fulfilled. Retail sales are usually made against a cash or credit card payment.

Sales of goods – Wholesale

Revenue from the sales of goods is recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler’s acceptance of the products. Control transfer does not occur until the products were shipped to the specified location, the risks of obsolescence and loss were transferred to the wholesaler, the wholesaler accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has an objective evidence that all criteria for acceptance are satisfied.

Rent revenue

The Group recognises rent income on accrual basis based on the agreement.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of the weighted average cost method. For processed inventories, cost includes direct materials, direct labor and the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Revenues and discounts from suppliers, sales premiums and advertising participation fees are accounted on an accrual basis and booked against cost of inventories. An inventory difference provision for the period covering the latest inventory count date and the balance sheet date has been included into the inventory impairment item.

Property, plant and equipment

Fair Value Method

Property, plant and equipment except lands and buildings are carried at cost less accumulated depreciation and impairment if exists. With respect to TAS 16 “Property, plant and equipment”, the Group has decided to choose revaluation model for lands and buildings by using 3 February 2020 dated valuation reports of CMB accredited real estate company, Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. (“Nova Taşınmaz Değerleme”) and 31 December 2019 dated valuation reports of CMB accredited real estate company, TSKB Gayrimenkul Değerleme A.Ş. (“TSKB Gayrimenkul Değerleme”) as of 31 December 2017.

As a result of revaluation study made by the experts, positive difference for lands and building amounting to TL 147.708 is accounted as TL 120.687 after net-off tax and minority effect “Revaluation Funds” under equity.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.2 Summary of significant accounting policies (Continued)

Property, plant and equipment (Continued)

Fair Value Method

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant 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, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Cost Method

Property, plant and equipment except lands and buildings are carried at cost less accumulated depreciation and impairment if exists.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant 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.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Property, plant and equipment (Continued)

Cost Method

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The land is not subject to depreciation.

The depreciation period for property, plant and equipment which approximate the economic useful lives of such assets, are as follows:

	<u>Useful Lives (Years)</u>
Buildings	25-50
Leasehold improvements	over period of lease (*)
Machinery and equipment	4-10
Furniture and fixtures	5-12
Motor vehicles	5-8

(*) Leasehold improvements include the expenses made for the leased properties and are depreciated over the shorter of the lease term and their useful lives.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The increase in the carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Expenses for repair and maintenance of property, plant and equipment are normally charged to the consolidated profit and loss statement. They are, however, capitalized and depreciated through the estimated useful life of the property, plant and equipment in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Property, plant and equipment (Continued)

Derecognition of tangible assets

A tangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a tangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

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 recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Brands

Brands that are acquired separately are accounted for at their acquisition cost, and brands that are acquired as a part of business combination are accounted for at their fair value in the consolidated financial statements. The Group assessed the useful life of brand as indefinite since there is no foreseeable limit to the period over which a brand is expected to generate net cash inflows for the Group. A brand is not subject to amortisation as it is considered to have an indefinite useful life. A brand is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount when the carrying amount of the brand exceeds its recoverable amount.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Intangible assets (Continued)

Rent agreements

Rent agreements are designated as intangible assets by the Group and consist of taken over rent agreements of the stores that purchased. Lease contracts are recorded at their fair values at the date of purchase, and amortised during the contract period.

The evacuation cost paid by the Group to the real estate owners or previous renters relating to rented stores are presented under “other intangible assets”. Related amortization expenses are recognised under the “general administrative expenses” in the statements of income.

Computer softwares (Rights)

Rights arising on computer software are recognised at its acquisition cost. Computer software is amortised on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. The estimated useful life of computer software is 5 years.

Internally-generated intangible assets and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Computer software development costs are capitalized and depreciated over their estimated useful lives.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.2 Summary of significant accounting policies (Continued)

Intangible assets (Continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Assets held for sale

Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell. When the fair value is less than the carrying cost, an impairment loss is recognized as an expense in the consolidated income statement for the period.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial assets

Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group’s financial assets carried at amortized cost comprise “trade receivables” and “cash and cash equivalents” in consolidated the statement of financial position.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Financial assets (Continued)

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of “derivative instruments” in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group’s financial instruments at fair value through profit or loss consist of forward contracts and interest rate swaps.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of “financial assets” in the statement of financial position. The Group measures such assets at their fair values. Gains or losses arising from the related financial assets are recognized in other comprehensive income except foreign exchange gain / loss and impairment loss. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.2 (h) for further information about the group’s accounting for trade receivables and impairment policies.

Trade payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Earnings per share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned. As disclosed in Note 28 earnings per share are calculated in accordance with IAS 33 “Earning Per Share”.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Earnings per share (Continued)

Income as per share stated in the income statement is calculated by dividing the net profit by the weighted average of the share certification available in the market during the whole year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Subsequent events

Subsequent events are composed of any event between the balance sheet date and the publication date of the balance sheet, even if they arise after any announcements of profits or other financial data.

The Group restates its consolidated financial statements if such subsequent events arise.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine whether the possibility of an outflow of resources embodying economic benefits is probable. When the possibility of an outflow of resources embodying economic benefits is probable for the accounts classified as contingent liabilities, provision is provided in the financial statements for related contingent liabilities except for the situations there is not a reliable estimation.

The Group discloses the contingent liabilities that are probable but there is not a reliable estimation for the amount of resources embodying economic benefits.

Assets that result from previous events that cannot be controlled fully by the Group and depend on the realization of one or more uncertain events, is considered as a contingent asset. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

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

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Leases

Policies applicable from 1 January 2019

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Leases (Continued)

Policies applicable from 1 January 2019 (Continued)

The Group as lessee (Continued)

The Group did not make any such adjustments during the periods presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Leases (Continued)

Leasing Policy Applied Until 31 December 2018

The Group as lessee

Operational lease

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of premises, which are cancellable subject to a period of notice. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as lessor

Operational leases

The Group presents assets subject to operating leases in the balance sheets according to their nature. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Operating leases are amortized based on their cost after deducting their residual values.

Related parties

Parties are considered related to the Group if;

- (a) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the Company that gives it significant influence over the Company; or
 - has joint control over the Company;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Company is a venture;
- (d) the party is member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
- (g) the party has a defined benefit plan for the employees of the Company or a related party of the Company.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.2 Summary of significant accounting policies (Continued)

Segment reporting

The operating segments are evaluated in parallel to the internal reporting and strategic sections presented to the organs or persons authorised to make decisions regarding the activities of the Group. The organs and persons authorised to make strategic decisions regarding the Group’s activities with respect to the resources to be allocated to these sections and their evaluation are defined as the Group’s senior managers of the Group. The Group’s senior managers follow up the Group’s activities on a geographical basis (Note 3).

Investment properties

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as “investment property”. Investment properties are carried at fair value with revaluation report of Nova Taşınmaz Değerleme as of 31 December 2018. Fair value change of investment properties are accounted under profit and loss statements in consolidated financial statements.

Income taxes

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The current income tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and 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 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.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Summary of significant accounting policies (Continued)

Income taxes

Deferred tax

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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.

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 balance sheet date. 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 deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension’s current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders’ equity in the period in which they arise

Cash flow statement

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Group generated from retailing activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months and which are subject to an insignificant risk of changes in value (Note 4).

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Summary of significant accounting policies (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Dividend

Dividend income from investments is recognised when the shareholder’s right to receive payment has been established. As a part of distribution of dividends, dividend liabilities are reflected to consolidated financial statements as liabilities, on the period of declaration.

Paid in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Share premium represents differences resulting from the sale of the Company’s Subsidiaries’ and Associates’ shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies (Note 26).

Deferred finance income/charges

Deferred finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.3 Comparative information and restatement of prior period financial statements

The Group’s consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained.

For the period ended 31 December 2018, the logistic expenses amounting to TL 367.996 thousand classified in marketing expenses have been reclassified to cost of goods sold, depreciation expenses amounting to TL 295.083 thousand classified in general administrative expenses have been reclassified to marketing expenses as of 31 December 2018 in order to comply with current period consolidated financial statements.

The consolidated financial statements for the period ended 31 December 2019 except for implementation of IFRS 16 which is effective from 1 January 2019 have been prepared in accordance with the accounting policies consistent with the accounting policies used in the preparation of annual consolidated financial statements for the year ended 31 December 2018. Accordingly, these consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018.

2.4 Critical accounting estimates and assumptions

The preparation of financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

(a) Godwill impairment test

As explained in related accounting policy, the Group performs impairment tests on goodwill annually at 31 December. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. Those calculations are based on discounted net cash flow after tax projections which are based on the Group’s eight-year business plans. Those projections are calculated in terms of TL and the growth rate expected to be realized after ten years is assumed to be nil. The discount rate in the value-in-use calculations is used as 9% per annum for a fixed-price plan study (2018: 7,7%). The discount rate in the value-in-use calculations is after tax discount rate, and includes the Group’s specific risk factors as well (Note 13).

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.4 Critical accounting estimates and assumptions (Continued)

(b) Impairment on leasehold improvements

As explained in related accounting policy, property, plant and equipment are carried at the cost less accumulated depreciation and, if any, impairment. The Group evaluates its operational performance on a store-by-store basis and each store’s continuity depends on the discounted net cash flow projections. Those cash flow projections are calculated, on a consistent basis to the Group’s five year business plans and on a store-by-store basis by taking into consideration the remaining useful life of each store. In this context, the Group executed an impairment estimate on the leasehold improvements on stores by considering the continuity of each store.

(c) Extension option in lease contracts

The lease obligation is determined by taking into account the extension options in the contracts. Most of the extension options included in the long-term lease contracts consist of applicable extension options by the Group. The Group reassesses the extension options in the lease term based on the medium-term business plans in the last year of the lease term and, if necessary, adds the extension right prospectively to the contract period. If the conditions change significantly, the assessment is reviewed by the Group.

(d) Fair Value Measurement

The Group has chosen revaluation method as of 31 December 2019 by discarding cost method mentioned in TAS 16 for lands and building and TAS 40 for investment properties. Revaluation studies of lands, building and investment properties have been performed by Nova Taşınmaz Değerleme which is CMB accredited professional valuation Companies.

Lands and building and investment properties in assets of the Group which are located in Turkey have been revaluated in 3 February 2020 valuation reports of CMB accredited real estate companies, Nova Taşınmaz Değerleme by using “Sample comparison approach analysis”, and “Income approach analysis”.

Lands and building and investment properties in assets of the Group which are located in Kazakhstan and Macedonia have been revaluated in 31 December 2019 dated valuation report of CMB accredited real estate company, TSKB Gayrimenkul by using “Income approach analysis”.

As a result of revaluation study made by the experts, positive difference for lands and building amounting to TL 147.708 is accounted as TL 120.687 after net-off tax and minority effect “Revaluation Funds” under equity.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.5 New and Revised Turkish Financial Reporting Standards

a) The new standards, amendments to published standards and interpretations effective applicable for the current period:

New and amended IFRS Standards that are effective for the current year

- | | |
|---------------------------------|---|
| - IFRS 16 | Leases |
| - Amendments to IAS 28 | <i>Long-term Interests in Associates and Joint Ventures</i> |
| - IFRIC 23 | <i>Uncertainty over Income Tax Treatments</i> |
| - Amendments to IAS 19 Employee | <i>Plan Amendment, Curtailment or Settlement Benefits</i> |
| - Standards 2015–2017 Cycle | <i>IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i> |

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019.

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

Impact of the new definition of a lease

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

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

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019.

Impact on Lessee Accounting

Operating leases

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

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.5 New and Revised Turkish Financial Reporting Standards (Continued)

- a) **The new standards, amendments to published standards and interpretations effective applicable for the current period (Continued):**

IFRS 16 Leases (Continued)

Impact on Lessee Accounting (Continued)

Operating leases (Continued)

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

- a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

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

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

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

As at 1 January 2019, the impact of IFRS 16 on the financial statements of the Group is disclosed in “the effects of revised accounting policies” note.

Finance leases

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

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.5 New and Revised Turkish Financial Reporting Standards (Continued)

**a) The new standards, amendments to published standards and interpretations effective
applicable for the current period (Continued):**

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

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

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

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

Amendments to TAS 19 Plan Amendment, Curtailment or Settlement

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

Annual Improvements to TFRS Standards 2015–2017 Cycle

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

Other than TFRS 16, these standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

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**NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.5 New and Revised Turkish Financial Reporting Standards (Continued)

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

Amendments to TFRS 3 *Definition of a Business*

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standart has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 and TAS 8 *Definition of Material*

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

Amendments to TFRS 9, TAS 39 and TFRS 7 *Interest Rate Benchmark Reform*

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

c) Effects of revised accounting policies

In this note, the new accounting policies, which the Group has started to apply as of 1 January 2019, have been disclosed with the effect of application of IFRS 16 Leases standard on the Group's consolidated financial statements.

On adoption of TFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 19%. The change in accounting policy affected the following items in the balance sheet on 1 January 2019 is described below.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019
Properties	2.653.181
Total right-of-use assets	2.653.181

- Right-of-use assets – increase by TL 2.653.181
- Short term lease liabilities – increase by TL 323.954
- Long term lease liabilities – increase by TL 2.561.867

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**NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.5 New and Revised Turkish Financial Reporting Standards (Continued)

c) Effects of revised accounting policies (Continued)

In accordance with the transitional provisions of IFRS 16, prior year financial statements have not been restated. The effects of the amendments as of 31 December 2019 are as follows:

	Amounts after changes in accounting policy 31 December 2019	IFRS 16 Effect	Before changes in accounting policy 31 December 2019
ASSETS			
Current Assets:			
Cash and cash equivalents	2.328.309	-	2.328.309
Financial investments	19.714	-	19.714
Trade receivables	126.354	-	126.354
Trade receivables from related parties	749	-	749
Trade receivables from third parties	125.605	-	125.605
Other receivables from third parties	35.709	-	35.709
Inventories	2.666.449	-	2.666.449
Prepaid expenses	82.734	-	82.734
Other current assets	5.899	-	5.899
Current income tax assets	11.755	-	11.755
Total current assets	5.276.923	-	5.276.923
Non-current assets:			
Financial investments	4.415	-	4.415
Other receivables from third parties	5.265	-	5.265
Property, plant and equipment	3.736.238	-	3.736.238
Intangible assets	2.445.825	-	2.445.825
Goodwill	2.252.992	-	2.252.992
Other intangible assets	192.833	-	192.833
Prepaid expenses	38.041	(10.755)	48.796
Right-of-use assets	2.954.168	2.954.168	-
Deferred tax assets	-	-	-
Total non-current assets	9.183.952	2.943.413	6.240.539
Total assets	14.460.875	2.943.413	11.517.462

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**NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.5 New and Revised Turkish Financial Reporting Standards (Continued)

c) Effects of revised accounting policies (Continued)

	Amounts after changes in accounting policy		Before changes in accounting policy
	31 December 2019	TFRS 16 Effect	31 December 2019
LIABILITIES			
Current liabilities:			
Short term portion of long term borrowings	681.251	-	681.251
Short term borrowings	281.603	-	281.603
Lease liabilities	230.028	230.028	-
Trade payables	5.743.794	-	5.743.794
Trade payables to related parties	255.588	-	255.588
Trade payables to third parties	5.488.206	-	5.488.206
Employee benefits payables	148.609	-	148.609
Other payables to third parties	133.660	-	133.660
Derivative Instruments	1.803	-	1.803
Deferred income	94.984	-	94.984
Short term provisions	224.605	-	224.605
Short term provisions for employee benefits	139.366	-	139.366
Other short term provisions	85.239	-	85.239
Other current liabilities	3.681	-	3.681
Total current liabilities	7.544.018	230.028	7.313.990
Non-current liabilities:			
Long term borrowings	3.440.185	-	3.440.185
Lease liabilities	2.888.152	2.888.152	-
Other payables to third parties	13.026	-	13.026
Derivative Instruments	26.314	-	26.314
Deferred income	3.196	-	3.196
Long term provisions	204.503	-	204.503
Long term provisions for employee benefits	204.503	-	204.503
Deferred tax liabilities	18.613	(35.821)	54.434
Total non-current liabilities	6.593.989	2.852.331	3.741.658
Total liabilities	14.138.007	3.082.359	11.055.648
EQUITY			
Attributable to equity holders of parent	321.203	(138.946)	460.149
Share capital	181.054	-	181.054
Other capital reserves	(365)	-	(365)
Treasury shares (-)	(125.435)	-	(125.435)
Additional contribution to share capital	22.074	-	22.074
Defined benefit plans re-measurement (losses)	(14.215)	-	(14.215)
Revaluation fund of property, plant and equipment	652.137	-	652.137
Currency translation differences	176.102	-	176.102
Restricted reserves	23.771	-	23.771
Accumulated losses	(101.808)	-	(101.808)
Net income/(loss)	(492.112)	(138.946)	(353.166)
Non-controlling interest	1.665	-	1.665
Total equity	322.868	(138.946)	461.814
Total liabilities and equity	14.460.875	2.943.413	11.517.462

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**NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.5 New and Revised Turkish Financial Reporting Standards (Continued)

c) Effects of revised accounting policies (Continued)

	Amounts after changes in accounting policy		Before changes in accounting policy
	31 December 2019	TFRS 16 Effect	31 December 2019
Revenue	23.191.364	-	23.191.364
Cost of sales (-)	(16.986.111)	84.408	(17.070.519)
Gross profit	6.205.253	84.408	6.120.845
General administrative expenses (-)	(284.151)	-	(284.151)
Marketing expenses (-)(*)	(4.599.972)	148.588	(4.748.560)
Other operating income	308.796	-	308.796
Other operating expense (-)	(825.168)	67	(825.235)
Operating profit	804.758	233.063	571.695
Income from investment activities	27.748	-	27.748
Expenses from investment activities (-)	(57.917)	-	(57.917)
Operating income before finance income/(expense)	774.589	233.063	541.526
Financial income	15.866	-	15.866
Financial expense (-)	(1.257.985)	(407.831)	(850.154)
Net (loss) / income before tax from continuing operations	(467.530)	(174.768)	(292.762)
Tax expense from continuing operations	(24.440)	35.821	(60.261)
- Income tax expense	(3.122)	-	(3.122)
- Deferred tax income / (expense)	(21.318)	35.821	(57.139)
Net (loss) / income	(491.970)	(138.947)	(353.023)

Impact of TFRS 16 effect on marketing expenses (148.588 TL) includes the rent expenses cancelled (620.723 TL) and the additional depreciation expenses (472.135 TL).

The recognised lease liabilities relate to the following types of liabilities:

	1 January 2019
Short term lease liabilities	323.954
Long term lease liabilities	2.561.867
Total	2.885.822

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**NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.5 New and Revised Turkish Financial Reporting Standards (Continued)

c) Effects of revised accounting policies (Continued)

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- not to re-evaluate the financially disadvantaged rental agreements within the scope of IAS 17 in the prior period
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2.6 Going concern

The consolidated financial statements of the Group have been prepared assuming that the Company and subsidiaries will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

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NOTE 3 - SEGMENT REPORTING

Management determines the operating segments based on the reports analyzed and found effective in strategic decision making by the Board of Directors.

Management assesses the Group’s performance on a geographic level as Turkey and other countries since the gross sales of these subsidiaries are below 10% of the Group sales. Reportable operating segment revenue comprises primarily retail sales, rent income and wholesales. Rent income and wholesale revenues are not recognized as reportable segments as they are not stated in detail in the reports provided to the Board of Directors. The Board of Directors assesses the performance of the operating segments based on a measure of Earning Before Interest, Tax, Depreciation and Amortisation, “EBITDA” and Earning Before Interest, Tax, Depreciation, Amortisation and Rent, “EBITDAR”. The Group calculates the EBITDA by deducting general administrative expenses and selling, marketing and distribution expenses and adding depreciation expenses, unused vacation liability paid in current period, employee termination benefit provision expense, unused vacation liability expense on gross profit amount in consolidated statements of income.

The segment information provided to the Board of Directors as of 31 December 2019 and 2018 is as follows:

Segment analysis for the period 1 January - 31 December 2019

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External revenues	22.605.667	585.697	23.191.364	-	23.191.364
Inter segment revenues	5.171	-	5.171	(5.171)	-
Sales revenue	22.610.838	585.697	23.196.535	(5.171)	23.191.364
Cost of sales	(16.561.781)	(429.501)	(16.991.282)	5.171	(16.986.111)
Gross profit	6.049.057	156.196	6.205.253	-	6.205.253
Selling and marketing expenses	(4.499.369)	(100.603)	(4.599.972)	-	(4.599.972)
General administrative expenses	(242.256)	(41.895)	(284.151)	-	(284.151)
Addition: Depreciation and amortisation expenses	786.496	19.464	805.960	-	805.960
Addition: Provision for termination benefits	52.791	47	52.838	-	52.838
Addition: Termination benefits paid	39.321	-	39.321	-	39.321
Addition: Provision for unused vacation	16.518	-	16.518	-	16.518
EBITDA (Including the new and revised standards)	2.202.558	33.209	2.235.767	-	2.235.767
The effect of new and revised standards (Note 2.2)	(705.131)	-	(705.131)	-	(705.131)
EBITDA	1.497.427	33.209	1.530.636	-	1.530.636
Rent expense	1.047.246	36.557	1.083.803	-	1.083.803
EBITDAR	2.544.673	69.766	2.614.439	-	2.614.439

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NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 January – 31 December 2018

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External revenues	18.183.512	533.846	18.717.358	-	18.717.358
Inter segment revenues	4.572	-	4.572	(4.572)	-
Sales revenue	18.188.084	533.846	18.721.930	(4.572)	18.717.358
Cost of sales	(13.444.098)	(397.291)	(13.841.389)	4.572	(13.836.817)
Gross profit	4.743.986	136.555	4.880.541	-	4.880.541
Selling and marketing expenses	(3.674.919)	(87.249)	(3.762.168)	-	(3.762.168)
General administrative expenses	(231.233)	(38.353)	(269.586)	-	(269.586)
Addition: Depreciation and amortisation expenses	280.254	14.829	295.083	-	295.083
Addition: Provision for termination benefits	26.884	114	26.998	-	26.998
Addition: Termination benefits paid	34.538	-	34.538	-	34.538
Addition: Provision for unused vacation	11.993	-	11.993	-	11.993
EBITDA	1.191.503	25.896	1.217.399	-	1.217.399
Rent expense	854.923	31.288	886.211	-	886.211
EBITDAR	2.046.426	57.184	2.103.610	-	2.103.610

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NOTE 3 - SEGMENT REPORTING (Continued)

A reconciliation of EBITDAR figure to income before tax is provided as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
EBITDAR reported segments	2.614.439	2.103.610
Rent expenses	(1.083.803)	(886.211)
The effect of new and revised standards (Note 2.2)	705.131	-
EBITDA reported segments	2.235.767	1.217.399
Depreciation and amortisation	(805.960)	(295.083)
Provision for employment termination benefits	(52.838)	(26.998)
Termination benefits paid	(39.321)	(34.538)
Provision for unused vacation liability	(16.518)	(11.993)
Other operating income	308.796	275.995
Other operating expense (-)	(825.168)	(683.692)
Operating profit	804.758	441.090
Income from investing activities	27.748	6.947
Expense from investing activities (-)	(57.917)	(143.779)
Operating profit before finance income	774.589	304.258
Financial income	15.866	58.018
Financial expense (-)	(1.257.985)	(1.409.543)
Income/(loss) before tax	(467.530)	(1.047.267)

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NOTE 3 - SEGMENT REPORTING (Continued)

Segment assets and liabilities

The figures provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

	2019	2018
Turkey	13.937.271	10.431.340
Other countries	640.384	577.356
Segment assets	14.577.655	11.008.696
Less: Eliminations	(116.780)	(123.835)
Total assets of consolidated financial statement	14.460.875	10.884.861

	2019	2018
Turkey	13.932.680	10.064.724
Other countries	258.481	243.070
Segment liabilities	14.191.161	10.307.794
Less: Eliminations	(53.154)	(58.023)
Total liabilities of consolidated financial statement	14.138.007	10.249.771

Segment information of capital expenditures as of 31 December 2019 and 2018:

	2019	2018
Turkey	331.470	461.251
Other countries	9.391	26.500
	340.861	487.751

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NOT 4 - CASH AND CASH EQUIVALENTS

	2019	2018
Cash	91.094	81.462
Banks		
- demand deposit (*)	164.976	109.943
- time deposit	1.094.940	635.894
Cheques in collection	501	582
Credit card receivables	976.798	922.635
	2.328.309	1.750.516

(*) The Group transfers the cash in its stores registers to the bank on a daily basis. In accordance with the bank agreements, transferred cash amounts have temporary blockages for a certain period of time. As of 31 December 2019, a cash amount of TL 135.424 in bank accounts is temporarily blocked due to the mentioned cash transfer. (2018: TL 97.722)

Weighted average effective interest rates on TL and EURO denominated time deposits as of 31 December 2019 are 11,3 and 0,3% respectively (2018: 23% and 1,9%)

Other cash and cash equivalents consist of credit card receivables. Credit card receivables with a maturity of less than one month are discounted at 31 December 2019 with annual rate of 10,6% (2018;24,3%)

The maturity analysis of time deposits at 31 December 2019 and 2018 is as follows:

	2019	2018
1 - 30 days	1.086.900	631.257
30 - 90 days	8.040	4.637
90 - 180 days (*)	65	1.708
Over 180 days (*)	19.649	16.742
	1.114.654	654.344

(*) Related amount indicating the bank deposits with over 90 days maturity recognised as cash fund by the Group (Note 5).

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NOT 5 - FINANCIAL INVESTMENTS

Financial assets

	2019	2018
Time deposit (*)	19.714	18.450
	19.714	18.450

(*) Related amount indicating the bank deposits with 90-180 days maturity recognised as cash fund by the Group.

	2019	2018
Long term financial assets carried at fair value through other comprehensive income	4.415	1.165
	4.415	1.165

	<u>2019</u>		<u>2018</u>	
	TL	Share (%)	TL	Share (%)
Paket Lojistik	3.250	25	-	-
Sanal Merkez Ticaret A.Ş. (*)	1.165	100	1.165	100
Total	4.415		1.165	

(*) Sanal Merkez Ticaret A.Ş.’s cost reflects its fair value.

The Company has acquired 25% shares of Paket Lojistik ve Teknoloji A.Ş. on 1 November 2019.

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Trade receivables:

	2019	2018
Receivables from tenants and wholesale activities	195.195	176.342
Notes receivables	3.211	6.139
Due from related parties (Note 27)	749	746
Less: Provision for doubtful receivables	(71.996)	(60.313)
Less: Unearned finance income on term sales	(805)	(1.800)
	126.354	121.114

The maturity of trade receivables are generally less than one month as of 31 December 2019 and they were discounted with the annual rate of 10,6% (2018: 24,3%).

Movement of provision for doubtful receivables is as follows:

	2019	2018
1 January	60.313	48.614
Current year charge	11.405	8.262
Collections and reversals	(2.234)	(1.829)
Currency translation effect	2.512	5.266
31 December	71.996	60.313

Trade payables:

	2019	2018
Trade payables	5.464.568	4.666.648
Due to related parties (Note 27)	255.588	213.810
Expense accruals	95.333	78.850
Unincurred finance cost on term purchases	(71.695)	(92.558)
	5.743.794	4.866.750

The maturity of trade payables is generally less than three months and they are discounted with annual rate of 10,6% as of 31 December 2019 (2018: 19,3%)

The further disclosures of liquidity risk and foreign exchange risk that the Group is exposed to with respect to the trade payables are included in Note 29.

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NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Short term other receivables

	2019	2018
Receivables from personnel	20.742	15.218
Receivables from sales of fixed assets	749	9.596
Receivables from insurance companies	1.200	1.243
Other	13.018	1.527
	35.709	27.584

Long term other receivables

	2019	2018
Deposits and guarantees given	5.265	5.480
	5.265	5.480

Other short term payables

	2019	2018
Other taxes and funds payable	70.033	54.200
Value added tax payables ("VAT")	46.972	39.278
Credit card bills collection account (*)	4.195	17.700
Other	12.460	15.296
	133.660	126.474

(*) Majority of the payables above consist of related banks' credit card bill collections made in the stores. The collections have the maturity of less than one month.

Long term other payables

	2019	2018
Deposits and guarantees received	13.026	11.903
	13.026	11.903

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NOTE 8 - INVENTORIES

	2019	2018
Raw materials	17.184	13.640
Work in progress	40.034	47.466
Merchandise stocks	2.654.269	2.207.748
Other	3.829	3.401
Less: Provision for net realizable value	(48.867)	(23.203)
	2.666.449	2.249.052

NOTE 9 - PREPAID EXPENSES AND DEFERRED REVENUES

Short term prepaid expenses

	2019	2018
Prepaid rent expenses	55.127	36.446
Prepaid insurance expenses	26.954	24.537
Advances given	653	10.914
	82.734	71.897

Long term prepaid expenses

	2019	2018
Prepaid rent expenses	35.259	26.038
Advances given for property, plant and equipment	2.782	1.543
	38.041	27.581

Short term deferred revenue

	2019	2018
Deferred revenues	24.158	54.282
Customer cheques	70.826	53.186
	94.984	107.468

Long term deferred revenue

	2019	2018
Deferred revenues	3.196	4.570
	3.196	4.570

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NOTE 10 - INVESTMENT PROPERTY

	1 January 2019	Additions	Disposals	Impairment	Transfers	Cumulative translation differences	31 December 2019
Cost							
Land and buildings	32.325	-	(32.325)	-	-	-	-
Net book value	32.325	-	-	-	-	-	-

	1 January 2018	Additions	Disposals	Impairment	Transfers	Cumulative translation differences	31 December 2018
Cost							
Land and buildings	342.731	-	-	(7.185)	(303.221)	-	32.325
Net book value	342.731	-	-	-	-	-	32.325

As of 31 December 2018 , investment properties are measured at fair value determined by independent valuation experts, Nova Taşınmaz Değerleme A.Ş. Investment properties were presented with their fair value.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipments period ended at 31 December 2019 is as follows;

	1 January 2019	Additions	Disposals	Impairment loss (*)	Revaluation	Transfers	Cumulative translation differences	31 December 2019
Cost								
Land	1.458.276	-	(196.874)	(12.776)	25.212	-	14.232	1.288.070
Buildings	1.017.439	16.849	(129.098)	(12.746)	122.496	8.202	24.954	1.048.096
Leasehold improvements	844.539	57.689	(4.107)	(18.583)	-	16.585	2.877	899.000
Machinery and equipments	1.168.600	85.160	(21.941)	-	-	41.598	6.461	1.279.878
Motor vehicles	6.397	5.562	(1.239)	-	-	-	268	10.988
Furniture and fixtures	786.762	40.053	(6.000)	-	-	14.344	5.622	840.781
Construction in progress	37.381	101.935	-	-	-	(85.891)	1.488	54.913
	5.319.394	307.248	(359.259)	(44.105)	147.708	(5.162)	55.902	5.421.726
Accumulated depreciation								
Buildings	-	(31.795)	2.334	-	-	-	-	(29.461)
Leasehold improvements	(404.733)	(70.245)	2.773	14.605	-	-	(1.595)	(459.195)
Machinery and equipments	(592.706)	(104.986)	18.066	-	-	(61)	(4.376)	(684.063)
Motor vehicles	(1.439)	(2.344)	555	-	-	-	(150)	(3.378)
Furniture and fixture	(457.474)	(51.202)	3.839	-	-	(452)	(4.102)	(509.391)
	(1.456.352)	(260.572)	27.567	14.605	-	(513)	(10.223)	(1.685.488)
Net book value	3.863.042							3.736.238

(*) Impairment loss amounting to TRL 29.500 consists of leasehold improvements of the stores closed in 2019 and fair value changes in lands and buildings (Note:22).

As of 31 December 2019, the cost of the land and buildings of the Group is TL 1.424.270.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement of property, plant and equipments period ended at 31 December 2018 is as follows;

	1 January 2018	Additions	Disposals	Impairment loss	Revaluation	Transfers (*)	Cumulative translation differences	31 December 2018
Cost								
Land	1.454.789	-	-	(47.726)	37.929	(10.421)	23.705	1.458.276
Buildings	1.016.356	23.589	(63.195)	(200.639)	73.533	113.264	54.531	1.017.439
Leasehold improvements	772.842	56.327	(304)	(9.530)	-	20.310	4.894	844.539
Machinery and equipments	1.019.860	85.762	(26.066)	-	-	79.798	9.246	1.168.600
Motor vehicles	9.848	1.959	(6.089)	-	-	-	679	6.397
Furniture and fixtures	710.387	52.270	(17.148)	-	-	27.679	13.574	786.762
Construction in progress	33.511	146.248	-	-	-	(144.176)	1.798	37.381
	5.017.593	366.155	(112.802)	(257.895)	111.462	86.454	108.427	5.319.394
Accumulated depreciation								
Buildings	-	(25.874)	1.285	-	-	24.589	-	-
Leasehold improvementsc	(341.343)	(67.516)	271	6.245	-	-	(2.390)	(404.733)
Machinery and equipments	(516.094)	(91.943)	22.596	-	-	(205)	(7.060)	(592.706)
Motor vehicles	(6.237)	(829)	5.919	-	-	-	(292)	(1.439)
Furniture and fixture	(413.631)	(49.565)	14.137	-	-	(506)	(7.909)	(457.474)
	(1.277.305)	(235.727)	44.208	6.245	-	23.878	(17.651)	(1.456.352)
Net book value	3.740.288							3.863.042

(*) Land and buildings amounting to TL 175.789 are classified as assets held for sale, amounting to TL 17.100 is transferred to intangible assets which are stated at transfers line.

As of 31 December 2018, the cost of the land and buildings of the Group is TL 1.782.731. As at 31 December 2019 and 2018, there are no mortgages on property, plant and equipment. Depreciation charges on property, plant and equipment are included in general administrative expenses.

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NOTE 12 - INTANGIBLE ASSETS

Other Intangible Assets

Movement of intangible assets period ended at 31 December 2019 is as follows;

	1 January 2019	Additions	Impairment loss	Transfers	Cumulative translation differences	31 December 2019
Cost						
Trademark	2.787	-	-	-	-	2.787
Rent agreements	39.131	-	-	-	-	39.131
Rights	373.595	33.613	-	-	1.691	408.899
Other intangible assets	163.627	-	-	5.675	-	169.302
	579.140	33.613	-	5.675	1.691	620.119
Accumulated amortisation						
Rent agreements	(34.355)	(1.048)	-	-	-	(35.403)
Rights	(234.169)	(54.733)	-	-	(1.139)	(290.041)
Other intangible assets	(84.366)	(17.476)	-	-	-	(101.842)
	(352.890)	(73.257)	-	-	(1.139)	(427.286)
Net book value	226.250					192.833

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NOTE 12 - INTANGIBLE ASSETS (Continued)

Other Intangible Assets (con’t)

Movement of intangible assets period ended at 31 December 2018 is as follows;

	1 January 2018	Additions	Impairment loss	Transfers	Cumulative translation differences	31 December 2018
Cost						
Trademark	17.229	-	(14.442)	-	-	2.787
Rent agreements	39.131	-	-	-	-	39.131
Rights	303.116	51.208	-	17.104	2.167	373.595
Other intangible assets	93.239	70.388	-	-	-	163.627
	452.715	121.596	(14.442)	17.104	2.167	579.140
Accumulated amortisation						
Rent agreements	(31.743)	(2.612)	-	-	-	(34.355)
Rights	(187.242)	(45.421)	-	(4)	(1.502)	(234.169)
Other intangible assets	(73.043)	(11.323)	-	-	-	(84.366)
	(292.028)	(59.356)	-	(4)	(1.502)	(352.890)
Net book value	160.687					226.250

Amortisation expenses related to intangible assets have been accounted under general administrative expenses.

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NOTE 13 - GOODWILL

	2019	2018
Opening balance	2.252.992	2.252.992
Closing balance	2.252.992	2.252.992

Impairment tests for goodwill:

The whole amount of goodwill is related to the acquisition of Migros, the Group management considers the synergy to be created by the important domestic market position as the main reason for the goodwill. Accordingly, the Group management allocated the above mentioned goodwill amount to Turkish domestic operations which is the main cash generating unit, considering its market share and importance of the total turnover of the domestic operations in the Group consolidation.

The recoverable amount of cash-generating unit was determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, which are based on TL budgets approved by management covering an five year period. The growth rate expected to be realized after five years is assumed to be nil and in the preparation of these analysis it has been assumed by the management that existing profitability of the Company will be maintained.

Subsequent projected cash flows over a five year period were calculated without regard to any growth rate, and the analysis predicted that the existing profitability structure would be preserved.

The Group management determined the budgeted gross profit margin by taking into consideration the previous performance of the company and the market growth expectations. The discount rate 9,0% used is the after tax discount rate and includes the company-specific risks. The fact that the after-tax discount rate used in the calculation of discounted cash flows is higher/lower by 100 basis points (such as 8% or 10% instead of 9%) causes a decrease/increase of TL 677.058 (2018: TL 689.272) in the fair value calculations for which sales costs are deducted, as of 31 December 2019. Within the context of analysis performed by the Management, above mentioned changes in the key assumptions on which recoverable amount is based would not cause carrying amount to exceed its recoverable amount.

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NOTE 14 – RIGHT OF USE ASSETS

For 31 December 2019, movement on right use of assetS is as follows:

	1 January 2019	The effect of changes in accounting policy (Note 2.5)	Additions	Impairment Disposals	31 December 2019
Cost					
Buildings	-	2.653.181	787.190	(14.068)	3.426.303
Accumulated depreciation					
Buildings	-	-	(472.135)	-	(472.135)
Net book value	-		315.055	(14.068)	2.954.168

Amortisation expenses related to right of use aset have been accounted under sales and marketing expenses.

Short term lease liabilities

	2019	2018
Lease liabilities	230.028	-
	230.028	-

Long term lease liabilities

	2019	2018
Lease liabilities	2.888.152	-
	2.888.152	-

NOTE 15 - ASSETS HELD FOR SALE

As of 31 December 2018, Bahçeşehir MMM Migros store and Adapazarı Kipa Shopping Center, which is the property of the Group with a value of TL 175.789, have been classified as assets held for sale since they are intended to be sold in the short term

	2019	2018
Assets held for sale	-	175.789
	-	175.789

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NOTE 16 - FINANCIAL LIABILITIES

	31 December 2019		
	Effective interest rate (%)	In original currency	Total TRL equivalent
Short term borrowings			
With fixed interest rate - TRL	23,09	281.603	281.603
Total short term borrowings			281.603
Current portion of long term borrowings			
With floating interest rate - EUR	5,27	49.741	330.808
With fixed interest rate - TRL	19,67	319.753	319.753
With floating interest rate - TRL	21,59	25.167	25.167
With fixed interest rate - Tenge	11,58	354.383	5.523
Total current portion of long term borrowings			681.251
Total current bank borrowings			962.854
Non-current bank borrowings			
With floating interest rate - EUR	5,27	380.298	2.529.211
With fixed interest rate - TRL	19,67	681.917	681.917
With floating interest rate - TRL	21,59	175.423	175.423
With fixed interest rate - Tenge	11,58	3.441.682	53.634
Total non-current bank borrowings			3.440.185
Total financial liabilities			4.403.039

The redemption schedule of borrowings with effective interest rate at 31 December 2019 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total TRL equivalent
1 January 2020 - 31 December 2020	5.523	330.808	626.523	962.854
1 January 2021 - 31 December 2021	15.870	952.011	539.615	1.507.496
1 January 2022 - 31 December 2022	18.089	1.011.974	132.442	1.162.505
1 January 2023 - 31 December 2023	15.672	565.226	113.284	694.182
1 January 2024 - 12 September 2024	4.003	-	71.999	76.002
	59.157	2.860.019	1.483.863	4.403.039

The fair value of borrowings at 31 December 2019 is TL 4.558.469.

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NOTE 16 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of principal amounts of borrowings at 31 December 2019 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total TRL equivalent
1 January 2020 - 31 December 2020	5.093	200.283	451.340	656.716
1 January 2021 - 31 December 2021	15.870	913.887	83.583	1.013.340
1 January 2022 - 31 December 2022	18.089	1.085.218	598.316	1.701.623
1 January 2023 - 31 December 2023	15.672	656.822	157.250	829.744
1 January 2024 - 12 September 2024	4.003	-	148.080	152.083
	58.727	2.856.210	1.438.569	4.353.506

The redemption schedule of contractual cash outflows, which consists of principal and interest, of borrowings at 31 December 2019 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total TRL equivalent
1 January 2020- 31 December 2020	8.756	338.214	671.574	1.018.544
1 January 2021- 31 December 2021	19.902	1.031.396	881.390	1.932.688
1 January 2022- 31 December 2022	22.438	1.157.027	231.550	1.411.015
1 January 2023- 31 December 2023	17.424	672.334	239.086	928.844
1 January 2024 - 12 September 2024	8.326	-	192.205	200.531
	76.846	3.198.971	2.215.805	5.491.622

The Group has the obligation to comply with the various credit commitments in the loan agreement in the interest of the said bank credits. The financial ratios calculated on the consolidated financial statements as of 31 December 2019 are in line with the provisions of the bank loan agreement.

The movement schedule of borrowings as of 31 December 2019 and 2018 is as follows;

	2019	2018
Begining	4.570.097	3.912.474
Proceeds of borrowings	770.200	320.375
Payments	(1.257.980)	(625.449)
FX losses	299.404	938.121
Interest accrual	21.318	24.576
Ending	4.403.039	4.570.097

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NOTE 16 - FINANCIAL LIABILITIES (Continued)

	31 December 2018		
	Effective interest rate (%)	In original currency	Total TRL equivalent
Short term borrowings			
With fixed interest rate - TRL	26,88	394.228	394.228
With fixed interest rate - EUR	4,85	21.269	128.207
Total short term borrowings			522.435
Current portion of long term borrowings			
With floating interest rate - EUR	5,26	98.867	595.971
With fixed interest rate - TRL	13,97	53.906	53.906
With floating interest rate - TRL	34,22	53.577	53.577
With fixed interest rate - Tenge	11,31	233.765	3.201
Total current portion of long term borrowings			706.655
Total current bank borrowings			1.229.090
Non-current bank borrowings			
With floating interest rate - EUR	5,26	490.500	2.956.734
With fixed interest rate - TRL	13,97	179.137	179.137
With floating interest rate - TRL	34,22	155.804	155.804
With fixed interest rate - Tenge	11,31	3.602.698	49.332
Total non-current bank borrowings			3.341.007
Total financial liabilities			4.570.097

The redemption schedule of borrowings with effective interest rate at 31 December 2018 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total TRL equivalent
1 January 2019 - 31 December 2019	3.201	724.178	501.711	1.229.090
1 January 2020 - 31 December 2020	13.631	778.331	169.685	961.647
1 January 2021 - 31 December 2021	16.290	819.909	95.050	931.249
1 January 2022 - 31 December 2022	15.894	871.626	46.973	934.493
1 January 2023 - 12 September 2023	3.517	486.868	23.233	513.618
	52.533	3.680.912	836.652	4.570.097

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NOTE 16 - FINANCIAL LIABILITIES (Continued)

The fair value of borrowings at 31 December 2018 is TL 4.442.623.

The redemption schedule of principal amounts of borrowings at 31 December 2018 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total TRL equivalent
1 January 2019- 31 December 2019	2.776	569.455	412.854	985.085
1 January 2020- 31 December 2020	13.631	698.872	166.532	879.035
1 January 2021- 31 December 2021	16.290	828.333	128.967	973.590
1 January 2022- 31 December 2022	15.894	983.625	64.084	1.063.603
1 January 2023- 12 September 2023	3.517	595.333	38.786	637.636
	52.108	3.675.618	811.223	4.538.949

The redemption schedule of contractual cash outflows, which consists of principal and interest, of borrowings at 31 December 2018 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total TRL equivalent
1 January 2019- 31 December 2019	8.755	740.127	491.639	1.240.521
1 January 2020- 31 December 2020	18.783	840.749	250.583	1.110.115
1 January 2021- 31 December 2021	19.676	934.841	195.868	1.150.385
1 January 2022- 31 December 2022	17.385	1.048.711	75.243	1.141.339
1 January 2023- 12 September 2023	3.713	609.393	41.197	654.303
	68.312	4.173.821	1.054.530	5.296.663

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NOTE 17 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions	2019	2018
Provision for litigation	81.125	82.496
Provisions for customer loyalty programs	1.754	1.492
Other	2.360	628
	85.239	84.616

There are various lawsuits filed against or in favour of the Group. Receivables, rent or labour disputes constitute the majority of these lawsuits. The Group management estimates the outcomes of these lawsuits and estimates their financial impact according to which the necessary provisions are accounted.

	2019	2018
Beginning balance	82.496	61.594
Increase during period	25.422	32.135
Reversals	(7.729)	-
Payments during period	(19.064)	(11.233)
Ending balance	81.125	82.496

Collaterals, Pledges, Mortgages

31 December 2019:

	TL equivalent	TL	USD	EUR
A. CPM given on behalf of the Company's legal personality	236.424	228.982	1.253	-
B. CPM given on behalf of fully consolidated subsidiaries	53.634	-	9.029	-
Total collaterals, pledges and mortgages	290.058	228.982	10.282	-

Proportion of the other CPM's to equity (%)

0%

31 December 2018:

	TL equivalent	TL	USD	EUR
A. CPM given on behalf of the Company's legal personality	178.347	168.898	1.796	-
B. CPM given on behalf of fully consolidated subsidiaries	49.332	-	9.377	-
Total collaterals, pledges and mortgages	227.679	168.898	11.173	-

Proportion of the other CPM's to equity (%)

0%

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**NOTE 17 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES
(Continued)**

Contingent assets and liabilities

Guarantees given at 31 December 2019 and 2018 are as follows:

	2019	2018
Letter of guarantees given	290.058	227.679
	290.058	227.679

Guarantees received at 31 December 2019 and 2018 are as follows:

	2019	2018
Guarantees obtained from customers	176.257	142.094
Mortgages obtained from customers	73.823	11.936
	250.080	154.030

NOTE 18 - EMPLOYEE BENEFITS

	2019	2018
Wages payable	108.832	97.841
Social security deductions	39.777	34.108
Ending balance	148.609	131.949

	2019	2018
Provision for employee termination benefits	204.503	145.477
Provision for unused vacation	139.366	122.848
	343.869	268.325

Movement of provision for unused vacation is as follows:

	2019	2018
Beginning balance	122.848	110.855
Increase during period	30.351	23.628
Recovered during period	(13.833)	(11.635)
Ending balance	139.366	122.848

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NOTE 18 - EMPLOYEE BENEFITS(Devamı)

Provision for employment termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who reaches the retirement age, whose employment is terminated without due cause, is enlisted for military service or passed away. The termination benefit to be paid is one month wage per a service year up to the maximum employment termination benefit limit. In the consolidated financial statements as of 31 December 2019 and 2018, the Group reflected a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

The following actuarial assumptions were used in the calculation of the total liability:

	2019	2018
Discount rate (%)	3,72	4,13
Turnover rate to estimate the probability of retirement (%)	89,87 – 100,00	88,33 – 100,00

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. As the maximum liability is revised once every six months, the maximum amount of TL 6.730,15 effective from 1 January 2020 (1 January 2019: TL 6.017,60) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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NOTE 18 - EMPLOYEE BENEFITS (Continued)

In the calculation, the employees were separated into two groups based on the working years in the Group: 0-14 years and 15 years and above. The probability of retirement is used as 89,87% and 100% for the employees working 0-14 years and 15 years and above, respectively.

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

- If the discount rate had been 1% lower/(higher), provision for employee termination benefits would increase/(decrease) by TL 20.202 TL (23.865 TL).

Movements in the provision for employment termination benefits are as follows:

	2019	2018
Beginning balance	145.477	117.753
Increase during period	92.159	61.536
Payments during period	(39.321)	(34.538)
Actuarial loss	6.188	726
Ending balance	204.503	145.477

NOTE 19 - REVENUE

	2019	2018
Domestic sales	23.052.626	18.607.288
Foreign sales	581.464	533.441
Other sales	32.944	18.763
Gross sales	23.667.034	19.159.492
Discounts and returns (-)	(475.670)	(442.134)
Sales revenue, net	23.191.364	18.717.358
Cost of sales	(16.986.111)	(13.836.817)
Gross profit	6.205.253	4.880.541

Details of domestic and foreign sales before other sales, discounts and returns are as follows:

	2019	2018
Retail sales revenue	22.662.239	18.383.186
Wholesale revenue	727.806	544.290
Rent income	244.045	213.253
	23.634.090	19.140.729

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NOTE 20 - EXPENSE BY NATURE

Total	2019	2018
Staff costs	2.317.764	1.867.987
Depreciation and amortisation	805.960	295.083
Rent and common area	516.357	934.711
Energy	358.417	269.125
Porterage and cleaning	162.423	123.786
Advertising	119.483	109.822
IT maintenance expense	116.331	53.967
Repair and maintenance	76.367	69.942
Security	57.820	45.945
Taxes and other fees	27.856	27.218
Communication	16.936	15.764
Other	308.409	218.404
	4.884.123	4.031.754
Marketing expenses	2019	2018
Staff costs	2.102.503	1.660.625
Depreciation and amortisation	805.960	295.083
Rent and common area	515.556	933.942
Energy	354.927	266.636
Porterage and cleaning	157.841	120.167
Advertising	119.449	109.759
IT maintenance expense	106.499	46.987
Repair and maintenance	73.990	68.270
Security	55.723	43.867
Taxes and other fees	25.024	25.197
Communication	14.574	13.797
Other	267.926	177.838
	4.599.972	3.762.168
General administrative expenses	2019	2018
Staff costs	215.261	207.362
Other	68.890	62.224
	284.151	269.586

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NOTE 20 - EXPENSE BY NATURE (Continued)

Expenses by nature in cost of sales for the year ended at 31 December 2019 and 2018 are as follows:

	2019	2018
Cost of goods sold	(16.939.117)	(13.756.759)
Cost of service rendered	(46.994)	(80.058)
	(16.986.111)	(13.836.817)

Cost of trade goods include discounts, incentives and volume rebates obtained from suppliers. Service costs comprise energy, advertising, cleaning, security and administrative expenses incurred in the Group's shopping malls.

NOTE 21 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	2019	2018
Interest income on term sales	183.255	151.180
Interest income from operating activities	71.816	69.060
Other	53.725	55.755
	308.796	275.995
Other operating expenses	2019	2018
Interest expense on term purchases	(766.880)	(615.641)
Litigation provision	(25.422)	(32.135)
Bad debt provision expense	(11.405)	(8.262)
Other	(21.461)	(27.654)
	(825.168)	(683.692)

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NOTE 22 - REVENUES AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities	2019	2018
Gain on sale of property, plant and equipment and asset held for sales	27.748	6.947
	27.748	6.947
Expense from investing activities	2019	2018
Losses from impairment provision property, plant and equipment	(25.522)	(119.607)
Losses on sale of property, plant and equipment and investment property	(28.417)	(6.445)
Losses from leasehold improvements	(3.978)	(3.285)
Losses from impairment of intangible assets	-	(14.442)
	(57.917)	(143.779)

NOTE 23 - FINANCIAL INCOME

	2019	2018
Foreign exchange gains	6.012	51.252
Interest income on bank deposits	9.854	6.766
	15.866	58.018

NOTE 24 - FINANCIAL EXPENSES

	2019	2018
Foreign exchange losses	(278.222)	(951.543)
Interest expense on bank borrowings	(476.104)	(340.495)
Financial expense on derivatives	(37.456)	(72.187)
Interest expense on leasings	(407.831)	-
Other	(58.372)	(45.318)
	(1.257.985)	(1.409.543)

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NOTE 25 - TAX ASSETS AND LIABILITIES

	2019	2018
Corporate and income taxes payable	2.861	97.979
Less: Prepaid current income taxes	(14.616)	(52.846)
Deducted from carry forward tax losses	-	(94.610)
Taxes on income	(11.755)	(49.477)
	2019	2018
Deferred tax assets	163.210	163.088
Deferred tax liabilities	(181.823)	(161.323)
Deferred tax (liabilities)/assets, net	(18.613)	1.765

General Information

The Group is subject to taxation in accordance with the tax regulations and the legislation effective in the countries in which the Group companies operate. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

In Turkey, corporate tax rate is 22% (2018 - 22%). In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

The investment incentive calculated over the investment expenditures and within the scope of the income tax law numbered 19, were not subjected to the deduction from the tax base due to the insufficient taxable profit by Kipa Ticaret A.Ş., and transferred to the Company amounting to TL 171.767. 161.026 TL of this amount has been deducted from the taxable profit as of 31 December 2019.

The Group calculates deferred income tax assets and liabilities based on the temporary difference between the financial statements prepared in accordance with TFRS and the financial statements prepared in accordance with TFRS. Future periods to deferred tax assets and liabilities are calculated based on the liability method on temporary differences for the rates used as of 31 December 2019 Turkey, Kazakhstan, Bulgaria and Macedonia respectively 22%, 20%, 10% and 10% (2018: 20% , 20%, 10% and 10%).

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

	2019	2018
(Loss) / gain before tax	(467.530)	(1.047.267)
Calculated tax income according to parent company tax rate (22%)	102.857	230.399
Differences in tax rate of subsidiaries	(2.758)	(1.683)
Expected tax expense of the Group	100.098	228.716
Effect of non-deductible expenses	(157.786)	(272.071)
Effect of exemptions for R&D	12.196	5.887
Allowable losses	31.445	167.973
Tax bases with no carrying amounts in current period	-	87.313
Effective tax rate difference	(3.687)	(3.421)
Other	(6.706)	(2.567)
The Group's tax income / (expense)	(24.440)	211.830

The details of taxation on income for the periods ended 31 December 2019 and 2018 are as follows:

	2019	2018
Current period income tax expense	(3.122)	(32.368)
Deferred tax income	(21.318)	244.198
Current period tax expense	(24.440)	211.830

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deferred tax assets:				
Short term provisions	220.491	205.344	48.508	43.475
Inventories	127.483	148.589	28.046	32.690
Provision for employee termination benefits	204.503	145.477	40.850	29.050
Unincurred interest income	805	1.800	177	396
Carry forward tax losses	-	174.276	-	38.363
Fair value change of derivative financial instruments	28.117	71.895	6.186	15.817
The effect of new and revised standards	162.825	-	35.821	-
Other	16.237	15.516	3.622	3.297
Deferred tax assets	760.461	762.996	163.210	163.088

Deferred tax liabilities:

Property, plant and equipment, intangible assets and investment properties	(1.123.130)	(1.269.150)	(164.666)	(140.243)
Unincurred interest expense	(71.695)	(92.559)	(15.773)	(20.363)
Other	(6.921)	(3.581)	(1.384)	(717)
Deferred tax liabilities	(1.201.746)	(1.365.290)	(181.823)	(161.323)
Total deferred tax liability, net	(441.285)	(602.294)	(18.613)	1.765

	2019	2018
Beginning balance	1.765	(255.963)
Deferred tax expense from continuing operations	(21.318)	244.198
Recognized under other comprehensive income	(2.322)	5.546
Cumulative translation difference	3.262	7.984
Ending balance	(18.613)	1.765

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NOTE 26 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company’s authorised and issued capital consists of 18.105.423.300 shares at 1 shares of Kr1 nominal value as of 31 December 2019. All shares are paid-in and no privileges are given to different share groups and shareholders.

	31 December 2019		31 December 2018	
	TL	Share (%)	TL	Share (%)
MH Perakendecilik ve Ticaret A.Ş.	89.046	49,18	89.046	49,18
Moonlight Capital S.A.	-	0,00	14.371	7,94
Kenan Investments S.A.	21.308	11,77	26.937	14,88
Migros Ticaret A.Ş.	2.962	1,64	2.962	1,64
Other	67.738	37,41	47.738	26,37
Total	181.054	100,00	181.054	100,00
Treasury shares (-)	(125.435)		(125.435)	

In the utilisation process of separation funds for Kipa shareholders due to the merger, Migros shares with a total nominal value of TL 2.962, corresponding to Kipa shares with a total nominal value of TL 48.998 which were converted to Migros shares due to the merger were purchased by Migros with a total amount of TL 125.435 within the scope of separation funds.

Reserves

The legal reserves consist of first and second legal reserves in accordance with the TCC. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company’s restated share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company’s restated share capital.

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Due from related parties	2019	2018
Anadolu Restoran İşl. Ltd. Şti.	43	15
Anadolu Isuzu Otomotiv Sanayi ve Tic. A.Ş.	417	368
Anadolu Motor Üretim ve Pazarlama A.Ş.	58	58
Other	231	305
	749	746
Due to related parties	2019	2018
Coca Cola Satış ve Dağıtım A.Ş.	87.144	65.891
Anadolu Efes Pazarlama ve Dağıtım Ticaret A.Ş.	142.932	111.676
Adel Kalemcilik Ticaret ve San. A.Ş.	8.909	14.129
AEH Sigorta Acenteliği A.Ş.	14.468	15.868
Tarım Ürünleri San. ve Tic. A.Ş.	1.354	6.174
Other	781	72
	255.588	213.810

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties

Inventory purchases	2019	2018
Coca Cola Satış ve Dağıtım A.Ş.	286.004	228.259
Anadolu Efes Paz. ve Dağıtım Ticaret A.Ş.	493.465	363.279
AEP Anadolu Etap Penkon A.Ş.	25.234	45.556
Adel Kalemcilik Ticaret ve San. A.Ş.	6.421	12.938
	811.124	650.032
Other transactions	2019	2018
Rent revenue	1.593	1.566
Rent expenses	(15.066)	(12.410)
Other income	827	624
Other expenses	(75)	(49)
Other transactions, net	(12.722)	(10.269)

c) Key management compensation

The Group has determined key management personnel as chairman, members of Board of Directors, general manager and vice general managers.

Total compensation provided to key management personnel by Group for the period ended 31 December 2019 and 2018 is as follows:

	2019	2018
Short term benefits	46.194	38.595
	46.194	38.595

Key management compensation paid or payable consists of benefits, salaries, premiums, individual pension premiums, vehicle rents and SSI and employer shares.

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NOTE 28 - EARNINGS PER SHARE

Basic earnings / (losses) per share is calculated by dividing net income / (loss) for the period by the weighted average number of ordinary shares outstanding during the related period. The Company has no diluted instruments.

	2019	2018
Net profit/(loss) attributable to shareholders	(492.112)	(835.558)
Weighted average number of shares with Kr1 face value each ('000)	18.105.233	18.105.233
Earnings per share	(2,72)	(4,61)

NOTE 29- FINANCIAL RISK MANAGEMENT

Financial risk management

The Group’s activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize their potential adverse effects on the financial performance of the Group.

Individual subsidiaries manage their risk under policies approved by their Boards of Directors.

Interest rate risk

The Group management invests its interest bearing assets on short term investments with the principle of balancing the maturity of the assets and liabilities that are sensitive to the interest rate changes.

The weighted average nominal interest rate of the Group’s financial liabilities that are sensitive to interest for AVRO loans is 4,75%. (2018: 4,75%). As of 31 December 2019, if interest rates on TL, USD and Euro denominated borrowings had been 100 base point higher/lower with all other variables held constant, pre-tax profit for the year would have been TL 2.907 (2018: TL 3.613) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

Interest rate positions of the Group at 31 December 2019 and 2018 are as follows:

	2019	2018
Financial instruments with fixed interest rate		
Time deposits	1.094.940	635.894
Financial liabilities	1.342.430	808.011
Lease liabilities	3.118.180	-

Financial instruments with floating interest rate

Financial liabilities	3.060.609	3.762.086
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Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk:

The funding risk of the current and future debt requirements is managed through the continuous availability of qualified lenders. As of 31 December 2019, the Group's financial debt with a maturity longer than 1 year is TL 3.440.185 (2018: TL 3.341.007).

The maturity analysis of the Group's financial liabilities as of 31 December 2019 is as follows:

Non derivative financial liabilities:

31 December 2019	Carrying value	Contractual cash outflows	Up to 3 months	3 months - 12 months	1 years - 5 years	Over 5 years
Financial payables	4.403.039	5.491.622	331.437	687.107	4.473.078	-
Trade payables	5.743.794	5.751.065	4.753.804	997.261	-	-
Other payables	282.269	282.269	282.269	-	-	-
	10.429.102	11.524.957	5.367.511	1.684.368	4.473.078	-
31 December 2018	Carrying value	Contractual cash outflows	Up to 3 months	3 months - 12 months	1 years - 5 years	Over 5 years
Financial payables	4.570.097	5.296.663	312.492	938.029	4.056.142	-
Trade payables	4.866.750	4.959.403	4.085.116	874.287	-	-
Other payables	258.423	258.423	255.929	2.494	-	-
	9.695.270	10.514.489	4.643.537	1.814.810	4.056.142	-

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

The Group is exposed to credit risk due to its sales other than retail sales. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by limiting the aggregate risk from any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer base.

The risk details of credits and receivables as of 31 December 2019 and 2018 are as follows. Amounts showing the maximum credit risk exposed as of the balance sheet date are disclosed by disregarding guarantees on hand and other factors that increase the credit quality.

	31 December 2019			
	Trade receivables		Other receivables	Deposits
	Related party	Other	Other	in bank
Maximum risk exposed credit risk as of reporting date (A+B+C)	749	125.605	40.974	1.279.630
Secured portion of maximum credit risk by guarantees	82	34.755	-	-
A. Net book value of financial assets either are not due or not impaired	749	111.511	40.974	1.279.630
secured portion by guarantees	82	26.308	-	-
B. Net book value of the expired or not impaired financial assets	-	6.223	-	-
secured portion with guarantees	-	575	-	-
C. Impaired assets				
net book value	-	7.731	-	-
over due (gross book value)	-	79.727	-	-
impairment (-)	-	(71.996)	-	-
secured portion of the net value by guarantees etc.	-	7.871	-	-
D. Expected credit loss (-)	-	-	-	-

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2018			
	Trade receivables		Other receivables	Deposits
	Related party	Other	Other	in bank
Maximum risk exposed credit risk as of reporting date (A+B+C)	746	120.368	23.468	764.287
Secured portion of maximum credit risk by guarantees	262	33.783	-	-
A. Net book value of financial assets either are not due or not impaired	746	107.517	23.468	764.287
secured portion by guarantees	262	26.308	-	-
B. Net book value of the expired or not impaired financial assets	-	6.296	-	-
secured portion with guarantees	-	920	-	-
C. Impaired assets				
net book value	-	6.555	-	-
over due (gross book value)	-	66.868	-	-
impairment (-)	-	(60.313)	-	-
secured portion of the net value by guarantees etc.	-	6.555	-	-
D. Expected credit loss (-)	-	-	-	-

As of reporting date there are no uncollected, overdue, and renegotiated bank deposits nor credit card receivables present at the Group portfolio, thus the Group is in the opinion that there are no credit risks regarding these assets.

Aging of the receivables which are overdue but not impaired

	2019	2018
Between 0-1 month	3.100	2.725
Between 1-3 month	1.081	1.659
Between 3-12 month	1.209	1.434
Between 1-5 years	834	478
	6.223	6.296

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

Risky Position of Capital:

Net debt ratio as of 31 December 2019 and 2018 is as follows;

	2019	2018
Total liabilities	14.138.007	10.249.771
Less: Cash and cash equivalents	(2.328.309)	(1.750.516)
Deferred tax liabilities	(18.613)	1.765
Net debt	11.791.085	8.501.020
Equity attributable to holders of parent	321.203	632.904
Equity + net debt	12.112.288	9.133.924
	97,35%	93,07%

Foreign currency risk

The Group is exposed to foreign exchange risk primarily arising from the borrowings denominated in foreign currencies. Aforementioned foreign exchange risk is monitored and limited with derivative instruments. At 31 December 2019, if Euro had appreciated against TL by 20% and all other variables had remained constant, the income for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in Euro would have been lower in the amount of TL 435.402 (31 December 2018: 435.922 higher).

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NOTE 30 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION

	FOREIGN CURRENCY POSITION							
	31 December 2019				31 December 2018			
	Total TL equivalent	USD	Euro	Other TL equivalent	Total TL equivalent	USD	Euro	Other TL equivalent
Monetary financial assets	697.220	1.181	103.480	2.003	306.364	752	49.993	1.048
Trade receivables	-	-	-	-	-	-	-	-
Other	933	157	-	-	1.720	327	-	-
Current assets	698.153	1.338	103.480	2.003	308.084	1.079	49.993	1.048
Total assets	698.153	1.338	103.480	2.003	308.084	1.079	49.993	1.048
Financial liabilities	330.808	-	49.741	-	724.178	-	120.136	-
Current liabilities	330.808	-	49.741	-	724.178	-	120.136	-
Financial liabilities	2.529.211	-	380.298	-	2.956.734	-	490.500	-
Non-monetary other liabilities	5.194	-	781	-	6.084	81	938	-
Non-current liabilities	2.534.405	-	381.079	-	2.962.818	81	491.438	-
Total liabilities	2.865.213	-	430.820	-	3.686.996	81	611.574	-

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NOTE 30 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

	FOREIGN CURRENCY POSITION						
	31 December 2019				31 December 2018		
	Total TL equivalent	USD	Euro	Other TL equivalent	Total TL equivalent	USD	Other TL equivalent
Net asset/(liability) position of							
off-balance sheet derivatives (A-B)	-	-	-	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	(2.167.058)	1.338	(327.340)	2.003	(3.378.911)	998	(561.581)
Net foreign currency asset/(liability) position of monetary items	(2.162.797)	1.181	(326.559)	2.003	(3.374.548)	752	(560.643)
Fair value hedge funds of							
foreign currency	-	-	-	-	(67.505)	-	-
Hedge amount of foreign currency assets	-	-	-	-	-	-	-
Hedge amount of foreign currency liabilities	-	-	-	-	(241.120)	-	(40.000)
Export	-	-	-	-	-	-	-
Import	164.762	27.737	-	-	168.013	31.936	-

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2019 AND 2018**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 30 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

Foreign currency sensitivity analysis as of 31 December 2019 and 2018 is as follows:

	Gain/Loss	
	Foreign exhchange appreciation	Foreign exhchange depreciation
%20 change in Euro exchange rate		
Euro net asset/liability	(435.402)	435.402
Euro net effect	(435.402)	435.402

31 December 2018

	Gain/Loss	
	Foreign exhchange appreciation	Foreign exhchange depreciation
%20 change in Euro exchange rate		
Euro net asset/liability	(677.042)	677.042
Portion secured from Euro risk	241.120	(241.120)
Euro net effect	(435.922)	435.922

NOTE 31 - FINANCIAL INSTRUMENTS

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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NOTE 31 - FINANCIAL INSTRUMENTS (Continued)

The fair value hierarchy for the assets and liabilities measured at fair value as of 31 December 2019 and 2018 is as follows:

		Fair Value Level as of reporting period		
	31 December 2019	Level 1 TL	Level 2 TL	Level 3 TL
Lands	1.288.070	-	-	1.288.070
Buildings	1.018.635	-	-	1.018.635
Derivatives	(28.117)	-	(28.117)	-

		Fair Value Level as of reporting period		
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Lands	1.458.276	-	-	1.458.276
Buildings	1.017.439	-	-	1.017.439
Investment properties	32.525	-	-	32.525
Derivatives	(71.895)	-	(71.895)	-

The discount, capitilization and store occupancy rates used in the studies were determined by the valuation companies.

The discount rates are consistent with the inflation expectation survey of the CBRT and used between 11% and 15.2% for the properties in Turkey. Discount rates used between 10% to 13,25% for the properties abroad.

The capitilization rates vary between 5% and 10% in terms of the location of the real estate.

NOTE 32 - SUBSEQUENT EVENTS

Regarding the Euro denominated loans, the Group made a principal loan payment of 94.529.788 EUR before the maturity date, on 31 January 2020.