

**CARREFOURSA CARREFOUR  
SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2020**

**(ORIGINALLY ISSUED IN TURKISH)**

23 October 2020

*This report contains 2 pages of the review report and 43  
pages of condensed consolidated interim financial  
statements and notes..*



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To the Board of Directors of  
CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi,

#### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi and its subsidiary (the “Group”) as at 30 September 2020, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* (“TAS 34”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

#### *Scope of Review*

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



### *Emphasis of matter*

As stated in the disclosure 2.6.3, it was determined that the total of capital and legal reserves was unrequited both in the Company's condensed consolidated financial statements as of and nine months period ended 30 September 2020 which has been prepared in accordance with TAS 34 and in the Company's special purpose financial statement prepared in accordance with the Capital Markets Board's principles numbered 2014-11/352 with a basis of the Communique Related to the Procedures and Principles Regarding the Implementation of the Article 376 of Turkish Commercial Code ("TCC") Numbered 6102 ("the Communique").

At the Ordinary General Assembly of the Company held on 14 May 2020, the Board of Directors has been authorized to identify current position of the Group in accordance with the Article 376 of TCC, to provide the shareholders with appropriate solutions and to fulfil the necessary formalities, including approvals to be obtained from the relevant public institutions in order to resolve the current financial position of the Group.

In this context, according to the Board of Directors decisions dated 25 August 2020, the Board of Directors of the Company decided to reduce the issued capital of the Company which is amounting to TL 700,000,000 to TL 104,244,354 by reducing TL 595,755,646. In addition, The Company also decided to increase the issued capital to TL 127,773,766 by increasing the total amount of TL 23,529,412 which will be covered in cash on a nominal value of 1 Kuruş, simultaneously with this capital decrease

According to the decision taken, it has been decided to issue 2,352,941,175 registered shares referring to the capital with a nominal value of 23,529,412 TL which will be increased. Additionally, it has been decided not to restrict the right of existing shareholders to purchase new shares and also decided to purchase new shares at a price of 17 TL for a share with a nominal value of 1 TL and it has been determined that the period of use of the new share purchase right is fifteen days. Thus, the Company management anticipates that a minimum cash inflow of TL 400,000,000 will be provided to the Company's resources upon completion of the simultaneous capital increase and reduction.

The Company applied to the CMB on 14 September 2020 regarding to the execution of the relevant transaction and the amendment of the Company's articles of incorporation with respect to Article six titled "Capital". Our conclusion is not modified in respect of this matter.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 Interim Financial Reporting.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member firm of KPMG International Cooperative

### **ORIGINALLY SIGNED IN TURKISH**

Ruşen Fikret Selamet, SMMM  
Partner  
23 October 2020  
İstanbul, Turkey

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2020**

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	30 September 2020	31 December 2019
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1,638,845,972</b>	<b>1,400,458,416</b>
Cash and Cash Equivalents	3	550,937,381	506,901,093
Trade Receivables			
Due From Related Parties	5, 24	31,300,352	17,936,009
Due From Third Parties	5	54,596,239	46,265,435
Other Receivables			
Due From Third Parties		5,245,398	2,418,943
Inventories	6	926,167,736	787,922,256
Prepaid Expenses		70,598,866	39,014,680
<b>Non-Current Assets</b>		<b>2,571,969,370</b>	<b>2,292,794,050</b>
Other Receivables			
Due From Third Parties		59,196,396	48,993,673
Property, Plant and Equipment	7	910,499,168	637,778,625
Right of Use Assets	8	782,017,657	794,680,993
Intangible Assets			
Goodwill	10	482,479,139	482,479,139
Other Intangible Assets	9	48,023,751	47,052,947
Prepaid Expenses		8,985,555	11,057,884
Deferred Tax Assets	22	280,767,704	270,750,789
<b>TOTAL ASSETS</b>		<b>4,210,815,342</b>	<b>3,693,252,466</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	30 September 2020	31 December 2019
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>3,669,243,248</b>	<b>2,997,927,139</b>
Short Term Bank Loans			
Short Term Bank Loans from Related Parties	4, 24	615,514,966	529,976,383
Other Short Term Bank Loans	4	695,045,666	467,517,287
Short Term Lease Liabilities			
Short Term Lease Liabilities from Related Parties	4, 24	9,912,621	24,140,310
Short Term Portion of Long Term Finance Lease Liabilities			
Other Short Term Portion of Long Term Lease Liabilities	4	154,569,958	143,003,917
Trade Payables			
Due to Related Parties	5, 24	42,884,109	50,256,501
Due to Third Parties	5	1,844,781,124	1,637,874,070
Employee Benefit Liabilities	13	117,071,162	22,581,565
Other Payables			
Due to Related Parties	24	27,977,195	11,383,989
Due to Third Parties		75,350,138	18,589,397
Short Term Provisions			
Provisions for Employment Benefits	11	6,491,842	10,902,379
Other Short Term Provisions	11	57,444,192	60,438,625
Other Current Liabilities	14	22,200,275	21,262,716
<b>Non-Current Liabilities</b>		<b>840,179,474</b>	<b>997,263,609</b>
Long Term Financial Liabilities from Related Parties	4, 24	--	200,000,000
Long Term Finance Lease Liabilities			
Other Long Term Finance Lease Liabilities	4	744,956,626	721,374,883
Long Term Provisions			
Provisions for Employment Termination Benefits	11	95,222,848	75,888,726
<b>EQUITY</b>		<b>(298,607,380)</b>	<b>(301,938,282)</b>
<b>Shareholders' Equity</b>		<b>(298,607,380)</b>	<b>(301,938,282)</b>
Share Capital	15	700,000,000	700,000,000
Inflation Adjustment to Share Capital	15	91,845,783	91,845,783
Share Issue Premium		34,691,309	34,691,309
Other Comprehensive Income/ Expense			
- Property, Plant and Equipment Revaluation Increases	15	230,422,466	--
- Losses on Remeasurement of Defined Benefit Obligations	15	(16,553,327)	(16,553,327)
Restricted Reserves	15	12,318,358	12,318,358
Accumulated Losses	15	(1,124,240,405)	(781,159,617)
Net Loss for the Period		(227,091,564)	(343,080,788)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,210,815,342</b>	<b>3,693,252,466</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE INTERIM NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020 AND 2019**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<b>PROFIT OR LOSS</b>					
Revenue	16	5,673,257,941	2,047,654,899	4,644,163,953	1,706,147,759
Cost of Sales (-)	16	(4,178,643,114)	(1,502,106,448)	(3,363,578,687)	(1,236,432,863)
<b>GROSS PROFIT</b>		<b>1,494,614,827</b>	<b>545,548,451</b>	<b>1,280,585,266</b>	<b>469,714,896</b>
Marketing Expenses (-)	17	(1,225,612,252)	(424,363,047)	(1,021,174,829)	(354,437,316)
General Administrative Expenses (-)	17	(128,236,856)	(41,063,303)	(128,250,074)	(42,697,727)
Other Income From Operating Activities	19	45,617,186	22,553,047	22,446,958	4,028,294
Other Expenses From Operating Activities (-)	19	(172,807,118)	(63,339,265)	(210,073,450)	(68,001,588)
<b>OPERATING PROFIT/(LOSS)</b>		<b>13,575,787</b>	<b>39,335,883</b>	<b>(56,466,129)</b>	<b>8,606,559</b>
Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9	5	(354,851)	(114,127)	(796,199)	328,675
<b>OPERATING PROFIT/ LOSS BEFORE FINANCE COSTS</b>		<b>13,220,936</b>	<b>39,221,756</b>	<b>(57,262,328)</b>	<b>8,935,234</b>
Finance Income	20	15,022,003	3,741,656	50,741,801	8,651,633
Finance Costs (-)	21	(302,931,841)	(97,046,085)	(346,341,418)	(116,084,498)
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(274,688,902)</b>	<b>(54,082,673)</b>	<b>(352,861,945)</b>	<b>(98,497,631)</b>
<b>Tax Income</b>		<b>47,597,338</b>	<b>8,115,034</b>	<b>73,687,348</b>	<b>19,143,600</b>
- Deferred Tax Income	22	47,597,338	8,115,034	73,687,348	19,143,600
<b>NET LOSS FOR THE PERIOD</b>		<b>(227,091,564)</b>	<b>(45,967,639)</b>	<b>(279,174,597)</b>	<b>(79,354,031)</b>
<b>Loss Per Share</b>					
Loss Per Share From Continuing Operations	23	(0.3244)	(0.0657)	(0.3988)	(0.1134)
<b>OTHER COMPREHENSIVE INCOME/ (LOSS)</b>					
<b>Items that will not be reclassified to profit or loss</b>		<b>230,422,466</b>	<b>230,422,466</b>	<b>--</b>	<b>--</b>
- Property, Plant and Equipment Revaluation Increases	7	268,002,889	268,002,889	--	--
- Related Tax	22	(37,580,423)	(37,580,423)	--	--
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>230,422,466</b>	<b>230,422,466</b>	<b>--</b>	<b>--</b>
<b>TOTAL COMPREHENSIVE INCOME/( LOSS)</b>		<b>3,330,902</b>	<b>184,454,827</b>	<b>(279,174,597)</b>	<b>(79,354,031)</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020 AND 2019**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

(Note 15)	Share Capital	Inflation Adjustment to Share Capital	Share Issue Premium	Property, Plant and Equipment Revaluation Increases	Actuarial Gain / (Loss)	Restricted Reserves	Accumulated Losses	Net Loss for the Period	Total
<b>Balance at 1 January 2019</b>	<b>700,000,000</b>	<b>91,845,783</b>	<b>34,691,309</b>	--	<b>(4,446,458)</b>	<b>12,318,358</b>	<b>(769,663,206)</b>	<b>(11,496,411)</b>	<b>53,249,375</b>
Transfers	-	-	-	-	-	-	(11,496,411)	11,496,411	-
Total Comprehensive Loss	-	-	-	-	-	-	-	(279,174,597)	(279,174,597)
<b>Balances at 30 September 2019</b>	<b>700,000,000</b>	<b>91,845,783</b>	<b>34,691,309</b>	--	<b>(4,446,458)</b>	<b>12,318,358</b>	<b>(781,159,617)</b>	<b>(279,174,597)</b>	<b>(225,925,222)</b>
<b>Balance at 1 January 2020</b>	<b>700,000,000</b>	<b>91,845,783</b>	<b>34,691,309</b>	--	<b>(16,553,327)</b>	<b>12,318,358</b>	<b>(781,159,617)</b>	<b>(343,080,788)</b>	<b>(301,938,282)</b>
Transfers	-	-	-	-	-	-	(343,080,788)	343,080,788	-
Total Comprehensive Income	-	-	-	230,422,466	-	-	-	(227,091,564)	3,330,902
<b>Balances at 30 September 2020</b>	<b>700,000,000</b>	<b>91,845,783</b>	<b>34,691,309</b>	<b>230,422,466</b>	<b>(16,553,327)</b>	<b>12,318,358</b>	<b>(1,124,240,405)</b>	<b>(227,091,564)</b>	<b>(298,607,380)</b>

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



CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE INTERIM NINE MONTH PERIOD  
ENDED 30 SEPTEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	1 January- 30 September 2020	1 January- 30 September 2019
<b>Net loss for the period</b>		<b>(227,091,564)</b>	<b>(279,174,597)</b>
<b>Adjustments to reconcile net loss for the period</b>		<b>536,640,897</b>	<b>501,776,113</b>
- Depreciation of property, plant and equipment	7	94,269,385	83,836,752
- Amortization of right of use asset	8	159,257,560	144,553,982
- Amortization of intangible assets	9	19,293,149	24,108,648
- Profit / (loss) from the sale of tangible and intangible assets		479,147	(872,035)
- Net change in risk, lawsuit, personnel, SSI and other provisions	11	(2,994,433)	(5,525,779)
- Adjustments to interest income accruals	20	(3,073,256)	(4,945,238)
- Adjustments to interest expense accruals	21	288,667,871	324,275,604
- (Reversal of) impairment provision	7, 9	(656,806)	(98,387)
- Provision for unused vacation pay liability	11	(4,410,537)	(297,474)
- Provision for employment termination benefit	11	27,301,321	24,949,730
- Allowance for doubtful receivables	5	1,679,326	3,278,786
- Provision for impairment on inventory	6	2,110,285	808,757
- Unrealized foreign exchange loss		2,315,223	(18,609,885)
- Tax income	22	(47,597,338)	(73,687,348)
<b>Changes in working capital</b>		<b>162,044,492</b>	<b>70,679,257</b>
- Increase in trade receivables, including collection from doubtful receivables		(10,010,130)	(15,861,035)
- Increase in inventories		(140,355,765)	(96,449,320)
- Decrease ( increase) due from related parties		(13,364,343)	2,087,944
- Decrease in other receivables and current assets		(13,029,178)	8,235,172
- Increase in prepaid expenses		(29,511,857)	(10,894,484)
- Increase in other short term payables		56,760,741	17,407
- Increase in other trade payables		206,907,054	158,933,073
- Increase in due to related parties		9,220,814	18,932,940
- Increase in employee benefit liabilities		94,489,597	8,105,976
- Increase/(decrease) in other short-term liabilities		937,559	(2,428,416)
<b>Cash from operating activities</b>		<b>471,593,825</b>	<b>293,280,773</b>
- Employee termination benefits paid	11	(7,967,199)	(11,690,051)
<b>Net cash from operating activities</b>		<b>463,626,626</b>	<b>281,590,722</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE INTERIM NINE MONTH PERIOD  
ENDED 30 SEPTEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January- 30 September 2020	1 January- 30 September 2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
- Acquisition of property, plant and equipment	7	(99,408,018)	(81,371,296)
- Acquisition of intangible assets	9	(20,247,166)	(10,069,343)
- Proceeds from sale of tangible and intangible assets		581,851	2,654,027
<b>Net cash used in investing activities</b>		<b>(119,073,333)</b>	<b>(88,786,612)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
- Proceeds from bank borrowings	4	782,500,000	695,313,420
- Repayment of borrowings		(691,003,064)	(536,258,363)
- Repayment of finance lease payables	4	(286,641,258)	(260,940,088)
- Paid finance costs		(118,059,450)	(143,465,617)
- Finance income	20	3,073,256	4,945,238
<b>Net cash used in financing activities</b>		<b>(310,130,516)</b>	<b>(240,405,410)</b>
<b>Decrease in cash and cash equivalents</b>		<b>34,422,777</b>	<b>(47,601,300)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>506,901,093</b>	<b>487,581,005</b>
- The impact of change in foreign currency exchange□ rate over cash and cash equivalents		9,613,511	6,053,163
<b>Cash and cash equivalents at the end of the period</b>	<b>3</b>	<b>550,937,381</b>	<b>446,032,868</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM  
PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

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**1. ORGANISATION AND NATURE OF OPERATIONS**

CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi ("The Company") was established in 1991 to operate in the hypermarket and supermarket sectors in Turkey. The registered address of the Company is Cevizli Mahallesi, Tugay Yolu Caddesi No:67A, B Blok Maltepe / İstanbul. The number of personnel is 10,826 as of 30 September 2020 (31 December 2019: 10,456).

As of 30 September 2020, the Company has 30 hypermarkets and 640 supermarkets (31 December 2019: 30 hypermarkets, 604 supermarkets).

**Subsidiary**

Adana Gayrimenkul Geliştirme ve İşletme A.Ş. ("Adana Gayrimenkul"), which is 100% owned by the Company, was established on 15 October 2014 and has been started to consolidate by using full consolidation method as of 31 December 2014. The main business of the Subsidiary is construction of nonresidential buildings. There is no operation of Adana Gayrimenkul except real estate ownership so far.

The other subsidiary, Adanabir Gayrimenkul Geliştirme ve İşletme A.Ş. ("Adanabir Gayrimenkul"), which is 100% owned by the Company, was established on 27 March 2015 and merged with Adana Gayrimenkul, which is the other subsidiary of the Company, with its existing assets and liabilities by acquisition and this transaction has been registered by Registry of Commerce of İstanbul on 19 October 2015.

On 15 May 2015, the Company has signed Share Purchase Agreement with Kiler Holding Anonim Şirketi, Nahit Kiler, Ümit Kiler, Vahit Kiler, Hikmet Kiler, Sevgül Kiler and Denge Reklam San. ve Tic. Ltd. Şti. ("Vendors"), in order to acquire 85% of the shares of Kiler Alışveriş Hizmetleri Gıda Sanayi ve Ticaret Anonim Şirketi ("Kiler Alışveriş"), of which 15% of its shares are publicly traded in Borsa İstanbul A.Ş., with an amount of TRY 429,574,000. The share purchase demand has been approved by Turkish Competition Authority on 30 September 2015, with decision numbered 61813209-120-6544. The Company has taken over the management of Kiler Alışveriş on 8 July 2015 and has paid the agreement amount of TRY 429,574,000 by cash to the vendors on same day.

As a result of mandatory tender offer between 17 September - 5 October 2015, ownership rate of the Company has increased to 97.27% by paying additional TRY 62,290,926 and has been started to consolidate by using full consolidation method as of 30 September 2015. The Company has decided legal merge with Kiler Alışveriş by acquisition method, with the Board decision on 20 October 2015. The legal merge has been approved by Capital Market Board ("CMB") on 27 November 2015, with decision numbered 32/1493. The legal merge has been realized by the decision of Extraordinary General Assembly held on 29 December 2015 and registered on 31 December 2015. The Company has intended to grow inorganically in the market with that business combination.

The Company and the Subsidiary referred to as the "Group".

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**2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 Basis of the Presentation**

**(a) Statement of compliance with Turkish Financial Reporting Standards (“TFRS”)**

According to the 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, the accompanying condensed consolidated interim financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”). TFRS is composed of Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards and its addendum and interpretations issued by POA.

The Group prepared its condensed consolidated interim financial statements for the period ended 30 September 2020, in accordance with the TAS 34 “Interim Financial Reporting” in the framework of the Communiqué Serial: II and numbered 14.1 and its related announcements. The condensed consolidated interim financial statements of the Group are presented in compliance with “Announcement on Financial Statements and Disclosure Formats” announced by CMB and TAS taxonomy announced by POA.

In compliance with the TAS 34, entities have preference in presenting their interim financial statements whether full set or condensed. In this framework, the Group preferred to present its consolidated interim financial statements in condensed version. The Group’s condensed consolidated interim financial statements do not include all disclosures and notes that should be included at year-end financial statements. Therefore, the condensed consolidated interim financial statements should be considered together with the consolidated financial statements as of 31 December 2019.

**Approval of condensed consolidated interim financial statements:**

The accompanying condensed consolidated interim financial statements of the Group has been approved by the Company’s Board of Directors on 23 October 2020. General Assembly and related legal institutions have the right to correct these condensed consolidated financial statements.

**(b) Basis of measurement**

The Company and its subsidiary maintain their accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the “TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The condensed consolidated interim financial statements have been prepared in Turkish Liras on historical cost basis including necessary adjustments and reclassifications for compliance with TRFS.

**(c) Presentation and functional currency**

The Group’s functional and presentation currency is Turkish Lira (“TRY”). Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

**2.2 Financial Reporting in Hyperinflationary Economies**

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB (“CMB Financial Reporting Standards”). Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies”, issued by the POA, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

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**2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.3 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Consolidated Financial Statements**

To allow for the determination of the financial situation and performance trends, the Group's condensed consolidated interim financial statements have been presented comparatively with the previous period. The Group presented condensed consolidated balance sheet as of 30 September 2020 comparatively with the balance sheet as of 31 December 2019; condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of cash flow and condensed consolidated statements of change in shareholders' equity as of 30 September 2020 comparatively with the 30 September 2019 financial statements. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

**2.4. Offsetting**

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

**2.5 Changes in Significant Accounting Policies**

Changes in accounting policies are applied retrospectively and previous period financial statements are rearranged. The Group has not changed its accounting policies in the current year, except for the changes stated below.

The Group has been applied "cost model" for its land and buildings, which has been initially recognized at cost value, in accordance with TAS 16 Property, Plant and Equipment standard.

As of 30 September 2020, the Group chose to apply the revaluation model instead of cost model as a measurement method after the initial recognition of the mentioned lands and buildings. The Group did not apply this change in accounting policy retrospectively in accordance with the provisions of TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors standard, and applied the provisions of TAS 16 Tangible Assets during the first application of the revaluation method.

The accounting policy which has been chosen by the Group in order to apply in the current period are as follows:

**Property, plant and equipment**

*Application of Revaluation Method*

Land and buildings that are kept in use for production or for the delivery of goods or services or for administrative purposes are expressed in their revalued amount. The revalued amount is determined by deducting the accumulated depreciation and the accumulated impairment in the periods after the fair value determined on the revaluation date. Revaluations are made at regular intervals in a way that does not significantly differ from the book value of the fair value to be determined on the balance sheet date.

The increase resulting from the revaluation of the land and buildings in question is recorded in the revaluation fund in equity. The value increase resulting from revaluation is recorded in the profit or loss statement in the event of a decrease in the value of the tangible fixed asset previously shown in the profit or loss statement, in proportion to the said decrease in value. The decrease in the book value resulting from the revaluation of the mentioned lands and buildings is recorded in the profit or loss statement if the said asset exceeds the balance in the revaluation fund related to the previous revaluation.

Depreciation of revalued buildings is included in the profit or loss statement. When the revalued real estate is sold or withdrawn from service, the remaining balance in the revaluation fund is directly transferred to the undistributed profits. Unless the asset is derecognised, no transfer can be made from the revaluation fund to undistributed profits.

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**2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.6 Significant Accounting Estimates and Assumptions**

The preparation of condensed consolidated financial statements requires the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and necessary adjustments are recognized in profit or loss in which they are realized.

Significant estimates used in the preparation of these condensed consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

**2.6.1 Provisions**

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. In that scope, as of 30 September 2020 and 31 December 2019 the Group evaluated the current risks and booked related provisions.

**2.6.2 Deferred tax asset**

The Group recognizes deferred tax asset and liability on the differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and the corresponding tax bases which is used in the computation of taxable profit. Under current circumstances, the partial or complete recoverable amounts of deferred tax assets are predicted. During the evaluation, future profit projections, current year's losses, unused losses and the expiration dates of other tax assets, and if necessary, tax planning strategies are considered. Based on the data obtained, if the Group's taxable profit, which will be obtained in the future, is not enough to fulfill the deferred tax assets, a provision is provided either for the whole or for a certain part of the deferred tax asset. As of 30 September 2020 and 31 December 2019, after the necessary evaluations, the deferred tax assets are fully accounted because of expectation of taxable profit in the future.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The Group estimates that it will be able to utilize the deductible carry forward tax losses using the estimated profits in the following years.

**2.6.3 Evaluation of financial position**

The Group has recognized TRY 227,091,564 loss as of and for the nine-month interim period ended 30 September 2020 and current year loss together with accumulated losses has reached to TRY 1,351,331,969. As of 30 September 2020, the Group's total equity is TRY (298,607,380).

Accordingly, in accordance with the third paragraph of Article 376 made of the TCC, it has been determined that the total of the Group's capital and legal reserves are unrequited. Therefore, a special purpose financial statement ("TCC 376 balance sheet") which reflects fair values of land and buildings and financial assets based on real estate valuation reports, has been prepared in accordance with the CMB's principle decision dated 10 April 2014 and numbered 11/352 (principle decision no 2014/11).

Aforementioned special purpose financial statement has been prepared based on the Company's 30 September 2020 balance sheet which is in compliance with Turkish Tax Legislation.

The fair value of the Company's lands and buildings has been determined as TRY 448,750,000 according to the valuation report issued by real estate valuation company TSKB Gayrimenkul Değerleme A.Ş. accredited by CMB. As a result, the equity amount of the Company recognized in the Special Purpose Financial Statement (TCC 376 balance sheet) is TRY (176,798,765). Additionally, the Group made material event disclosure in accordance with CMB's principle decision numbered 11/352 as explained in Note 27.

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**2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.6.3 Evaluation of financial position (continued)**

At the Ordinary General Assembly of the Company held on 14 May 2020, the Board of Directors has been authorized to provide the shareholders appropriate solutions and to fulfil the necessary formalities, including approvals to be obtained from the relevant public institutions in order to resolve the current financial position of the Group.

In this context, according to the decision dated 25 August 2020, the Board of Directors of the Company decided to decrease the issued capital of the Company which is amounting to TRY 700,000,000 to TRY 104,244,354 by reducing TRY 595,755,646. In addition, The Company also decided to increase the issued capital to TRY 127,773,766 by increasing the total amount of TRY 23,529,412 which will be covered in cash on a nominal value of 1 Kuruş, simultaneously with this capital decrease. As a part of capital increase, the existing shareholders' right to purchase new shares in capital increase will not be restricted. It has been also decided to exercise the new share purchase rights at a price of TRY 17 for a share with a nominal value of TRY 1. Thus, the Company management anticipates that a minimum cash inflow of TRY 400,000,000 will be provided to the Company's resources upon completion of the simultaneous capital increase and decrease. The Company applied to the CMB on 14 September 2020 regarding to the execution of the relevant transaction and the amendment of the Company's articles of incorporation with respect to Article six titled "Capital".

The Group has set its strategic goals to grow and increase its market share. Firstly, it is aimed to increase sales with high performance formats, especially in regions that are profitable. Effective category and format management, use of CRM, promotion and marketing tools and improvements in HR processes are the main tools to be used to achieve the goal. In addition to growing in existing locations, growth in alternative channels with minimum investment is targeted. Franchise, e-commerce, corporate – wholesale and export channels and growth are the methods to be used to increase the scale of the company with low investments.

**2.7 Amendments in Turkish Financial Reporting Standards That Are Issued but Not Effective as of 30 September 2020**

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however, the Group has not early adopted are as follows.

**Classification of Liabilities as Current or Non-current (Amendments to TAS 1)**

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position. These amendments are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 1.

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**2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.7 Amendments in Turkish Financial Reporting Standards That Are Issued but Not Effective as of 30 September 2020 (Continued)**

**Covid-19 Related Rent Concession (Amendments to TFRS 16)**

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is issued by POA on 5 June 2020.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if only for concessions in lease payments recognized due to COVID-19 outbreak

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Group shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted (Note 19).

**Amendments Effective on 1 January 2020**

The changes that become effective as of January 1, 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to TFRS 3 - Definition of a Business

The application of the amendment in TFRS 3 did not have a significant impact on the consolidated financial statements of the Group.

3-) Amendments to TAS 1 and TAS 8 - Definition of Material

The application of the amendment to TAS 1 and TAS 8 does not have a significant impact on the consolidated financial statements of the Group.

4-) Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

The application of this amendment is not expected to have a significant impact on the consolidated financial statements of the Group.

**The new standards, Amendments and Interpretations That Are Issued by the International Accounting Standards Board (IASB) but Not Issued by POA**

**Reference to the Conceptual Framework (Amendments to IFRS 3)**

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.



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**2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.7 Amendments in Turkish Financial Reporting Standards That Are Issued but Not effective as of 30 September 2020 (continued)**

**Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)**

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

**Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)**

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

IASB developed amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

**Annual Improvements to IFRS Standards 2018–2020**

**Improvements to IFRSs**

IASB issued Annual Improvements to IFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

**IFRS 1 First-time Adoption of International Financial Reporting Standards**

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards. This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

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**2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.7 Amendments in Turkish Financial Reporting Standards That Are Issued but Not effective as of 30 September 2020 (continued)**

**IFRS 9 Financial Instruments**

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

**IFRS 16 Leases, Illustrative Example 13**

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

**3. CASH AND CASH EQUIVALENTS**

	<u>30 September 2020</u>	<u>31 December 2019</u>
Cash on hand	18,774,972	25,465,297
Cash in transit (*)	28,368,515	22,922,559
Credit card receivables	400,803,774	373,640,601
Banks		
Time deposit	90,906,855	53,562,865
Demand deposit	12,083,265	31,309,771
	<u>550,937,381</u>	<u>506,901,093</u>

(\*) Cash in transit consists of bank balances that has not been reflected into deposit accounts due to value-date difference.

Related party balances in cash and cash equivalents are stated in Note 24.

As at 30 September 2020 and 31 December 2019 time deposits are as follows:

Currency	Interest rate	Maturity	<u>30 September 2020</u>
USD	2.25%	1 October 2020	22,643,200
TRY	11,75%	1 October 2020	68,200,000
		Interest Accrual	63,655
			<u>90,906,855</u>
Currency	Interest rate	Maturity	<u>31 December 2019</u>
USD	2.30%	2 March 2020	53,461,800
		Interest Accrual	101,065
			<u>53,562,865</u>

The Group does not have any blocked deposits as at 30 September 2020 and 31 December 2019.

The Group’s exposure to currency and interest rate risks and relevant sensitivities for cash and cash equivalents are disclosed in Note 25.

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4. FINANCIAL LIABILITIES

<u>Short Term Financial Liabilities</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Bank loans (*)	1,310,560,632	997,493,670
Lease liabilities	9,912,621	24,140,310
	<u>1,320,473,253</u>	<u>1,021,633,980</u>
<u>Short Term Portion of Long Term Financial Liabilities</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Lease liabilities	154,569,958	143,003,917
	<u>154,569,958</u>	<u>143,003,917</u>
<u>Long Term Financial Liabilities</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Bank loans (**)	-	200,000,000
Lease liabilities	744,956,626	721,374,883
	<u>744,956,626</u>	<u>921,374,883</u>

(\*) As of 30 September 2020 and 31 December 2019 the details of short-term bank loans are as follows:

<u>Currency</u>	<u>Interest Rate (i)</u>	<u>30 September 2020</u>
TRY	8.66%	1,262,500,000
USD	4.50%	14,913,034
	Interest accrual	33,147,598
		<u>1,310,560,632</u>
<u>Currency</u>	<u>Interest Rate (i)</u>	<u>31 December 2019</u>
TRY	12.50%	941,090,827
USD	4.50%	37,588,308
	Interest accrual	18,814,535
		<u>997,493,670</u>

(i) The interest rate was calculated by the weighted average method.

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**4. FINANCIAL LIABILITIES (continued)**

(\*\*) As of 31 December 2019, the details of long-term bank loans are as follows:

Currency	Interest Rate	31 December 2019
TRY	12.50%	200,000,000
		<u>200,000,000</u>

Group's financial liabilities due to related parties are stated in Note 24.

Finance lease payables consist of the followings:

Finance lease payables	Present value of minimum lease payments	
	30 September 2020	31 December 2019
Within one year	350,717,071	329,143,650
Less : Future finance charges	(186,234,492)	(161,999,423)
Present value of finance lease obligations	<u>164,482,579</u>	<u>167,144,227</u>
Two years and after	1,347,399,421	1,367,219,775
Less : Future finance charges	(602,442,795)	(645,844,892)
Present value of finance lease obligations	<u>744,956,626</u>	<u>721,374,883</u>

The Group's finance lease payables represent the present value of the future payables of the store, vehicles, buildings and machinery and equipment that are rented from third parties through their useful lives.

The details of property, plant and equipment acquired by financial lease as of 30 September 2020 and 30 September 2019 are disclosed at Note 8.

The repayment schedule of long-term borrowings as of 30 September 2020 and 31 December 2019 in TRY equivalent as at balance sheet date is as stated below:

	30 September 2020	31 December 2019
2021	31,813,639	319,801,582
2022	117,877,674	115,775,458
2023	115,087,299	112,681,493
2024	95,960,706	93,312,182
2025 and after	384,217,308	279,804,168
	<u>744,956,626</u>	<u>921,374,883</u>

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**4. FINANCIAL LIABILITIES (continued)**

As of 30 September 2020 and 2019, the reconciliation of the Group's obligations arising from its borrowings is as follows:

	<u>30 September 2020</u>	<u>30 September 2019</u>
Borrowings as of 1 January	1,197,493,670	867,002,106
Additions	782,500,000	695,313,420
Interest and capital repayments	(799,718,108)	(669,385,817)
Current period interest expenses (including accruals)	123,048,107	168,838,878
Effects of change in foreign exchange rate	7,236,963	5,120,865
<b>Borrowings as of 30 September</b>	<b>1,310,560,632</b>	<b>1,066,889,452</b>

As of 30 September 2020 and 2019, the reconciliation of the Group's obligations arising from its lease liability is as follows:

	<u>30 September 2020</u>	<u>30 September 2019</u>
Lease liabilities as of 1 January	888,519,110	923,124,075
Net change in operating lease liability	146,594,224	77,789,534
Term lease payment	(286,641,258)	(259,614,356)
Current period interest expenses	156,275,358	145,098,563
Effects of change in foreign exchange rate	4,691,771	2,869,489
<b>Lease liabilities as of 30 September</b>	<b>909,439,205</b>	<b>889,267,305</b>

As of 30 September 2020, and 31 December 2019, there are no guarantees given related to the financial borrowings.

The Group's exposure to foreign exchange risk related to borrowings is disclosed in Note 25.

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**5. TRADE RECEIVABLES AND PAYABLES**

<u>Trade Receivables</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Other trade receivables	69,940,624	62,020,077
Shopping mall receivables	14,996,275	14,231,167
Provision for doubtful trade receivables	(30,340,660)	(29,985,809)
	<u>54,596,239</u>	<u>46,265,435</u>
Due from related parties (Note 24)	31,300,352	17,936,009
	<u>85,896,591</u>	<u>64,201,444</u>

The movement of provision for doubtful receivables for the nine-month period ended 30 September 2020 and 2019 are as follows:

	<u>30 September 2020</u>	<u>30 September 2019</u>
Opening balance	29,985,809	29,077,606
Collections	(1,324,475)	(2,482,587)
Charge for the period	1,679,326	3,278,786
Closing balance	<u>30,340,660</u>	<u>29,873,805</u>

Trade receivables due dates vary depending on the sector and entity and the average due dates are lower than three months.

The Group evaluates the credibility of the receivable and the movement between the creation time of the receivable and reporting date when considering the collectability of its receivables. Due to the Group is working with a large number of clients, credit risk of the Group has been scattered and there is no concentrated credit risk.

The guarantees received for the Group's trade receivables are as follows:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Letters of guarantee received for rent receivables	2,250,974	2,506,169
	<u>2,250,974</u>	<u>2,506,169</u>

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**5. TRADE RECEIVABLES AND PAYABLES (continued)**

<u>Short Term Trade Payables</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Trade payables	1,844,781,124	1,637,874,070
Due to related parties (Note 24)	42,884,109	50,256,501
	<u>1,887,665,233</u>	<u>1,688,130,571</u>

The average payment rate for the purchase of commercial goods varies by sector and firm. The average payment in the fresh food sector is less than a month. In other sectors the average payment is less than three months.

The exchange rate risk for the Group's trade receivables and payables is disclosed in Note 25.

**6. INVENTORIES**

	<u>30 September 2020</u>	<u>31 December 2019</u>
Trade goods	936,338,502	796,407,625
Impairment of inventories	(10,170,766)	(8,485,369)
	<u>926,167,736</u>	<u>787,922,256</u>

The movement of allowance for impairment on inventory for the periods ended 30 September 2020 and 2019 are as follows:

	<u>30 September 2020</u>	<u>30 September 2019</u>
Opening balance	8,485,369	8,359,182
Charge of the period	2,110,285	808,757
Current period reversal	(424,888)	(1,254,298)
Closing balance	<u>10,170,766</u>	<u>7,913,641</u>

Allowance for impairment on inventory for the nine-month period ended 30 September 2020 and 2019 is recognized in cost of sales (Note 16).

For the nine-month period ended 30 September 2020, cost of inventory recognized in profit or loss statement is TRY 4,176,727,906 (30 September 2019: TRY 3,360,609,865) (Note 16)

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**7. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land</b>	<b>Buildings</b>	<b>Buildings Purchased by Finance Lease</b>	<b>Machinery and Equipment</b>	<b>Other Tangible Assets</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>Cost</b>							
Opening balance, 1 January 2020	123,181,461	86,412,661	-	967,566,541	144,911,757	807,984	1,322,880,404
Additions	-	2,853,643	-	90,153,224	2,947,637	3,453,514	99,408,018
Transfers (Note 9) (*)	(101,026,291)	101,026,291	-	559,775	-	(577,603)	(17,828)
Revaluation fund (**)	59,344,830	208,658,059	-	-	-	-	268,002,889
Impairments cancelled	-	-	-	1,202,392	44,316	-	1,246,708
Disposals (***)	-	-	-	(4,756,062)	(226,186)	(68,563)	(5,050,811)
Closing balance, 30 September 2020	<b>81,500,000</b>	<b>398,950,654</b>	<b>-</b>	<b>1,054,725,870</b>	<b>147,677,524</b>	<b>3,615,332</b>	<b>1,686,469,380</b>
<b>Accumulated depreciation</b>							
Opening balance, 1 January 2020	-	(29,881,543)	-	(594,109,604)	(61,110,632)	-	(685,101,779)
Depreciation charge of the period	-	(1,819,111)	-	(86,207,137)	(6,243,137)	-	(94,269,385)
Impairments cancelled	-	-	-	(562,777)	(27,295)	-	(590,072)
Disposals (***)	-	-	-	3,795,855	195,169	-	3,991,024
Closing balance, 30 September 2020	-	(31,700,654)	-	(677,083,663)	(67,185,895)	-	(775,970,212)
<b>Net book value, 1 January 2020</b>	<b>123,181,461</b>	<b>56,531,118</b>	<b>-</b>	<b>373,456,937</b>	<b>83,801,125</b>	<b>807,984</b>	<b>637,778,625</b>
<b>Net book value, 30 September 2020</b>	<b>81,500,000</b>	<b>367,250,000</b>	<b>-</b>	<b>377,642,207</b>	<b>80,491,629</b>	<b>3,615,332</b>	<b>910,499,168</b>

As of 30 September 2020, TRY 247,306,054 (30 September 2019: TRY 223,679,677) of depreciation and amortization expenses is included in marketing expenses and TRY 25,514,040 (30 September 2019: TRY 28,819,705) of depreciation and amortization expenses is included in general administrative expenses.

(\*) It includes classifications made according to the building use certificate and the registration information in the title deed and transfers to intangible assets

(\*\*) The land and buildings owned by the Group has been measured at their fair value as of the valuation date. As of 30 September 2020, the fair value of land and buildings owned by the Group has been determined by TSKB Gayrimenkul Değerleme A.Ş. ("TSKB") which is an independent valuation company. TSKB has authorized by the CMB and provides real estate valuation services in accordance with the capital market legislation. TSKB has sufficient experience and competence in measuring the fair value of properties in the respective regions. The fair value of land and buildings have been determined by market income approach method in accordance with their nature. The value increase of the land and buildings amounting to TRY 268,002,522 has been recorded in property, plant and equipment revaluation increases account under equity. As of 30 September 2020, the level of the fair value hierarchy for lands and buildings is level 2. As of 30 September 2020, if the Group has used cost model for land and buildings where the Group switched from cost model to revaluation model as the measurement method, the carrying amount that would have been recognized are TRY 22,155,170 and TRY 158,591,941, respectively.

(\*\*\*) It includes disposals related to the stores that were closed during the period.

As of 30 September 2020, total insurance amount over property, plant and equipment is TRY 1,297,834,696 (31 December 2019: TRY 824,249,274). As of 30 September 2020 and 31 December 2019 there is no mortgage on property, plant and equipment.



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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
<b>Cost</b>							
Opening balance, 1 January 2019	123,076,461	154,210,903	12,780,732	865,314,316	73,740,694	3,136,591	1,232,259,697
TFRS 16 (Note 8)			(12,780,732)				(12,780,732)
Opening balance, 1 January 2019	123,076,461	154,210,903	-	865,314,316	73,740,694	3,136,591	1,219,478,965
Additions	105,000	162,182	-	72,330,230	3,832,169	4,941,715	81,371,296
Transfers (Note 9)	-	-	-	2,431,798	3,378	(2,860,693)	(425,517)
Impairments cancelled	-	-	-	198,270	1,812	-	200,082
Disposals (*)	-	-	-	(13,663,223)	(688,888)	-	(14,352,111)
Closing balance, 30 September 2019	123,181,461	154,373,085	-	926,611,391	76,889,165	5,217,613	1,286,272,715
<b>Accumulated depreciation</b>							
Opening balance, 1 January 2019	-	(54,951,748)	-	(517,045,018)	(26,849,857)	-	(598,846,623)
Depreciation charge of the period	-	(2,746,123)	-	(75,497,130)	(5,593,499)	-	(83,836,752)
Impairments cancelled	-	-	-	(104,891)	(1,095)	-	(105,986)
Disposals (*)	-	-	-	12,760,238	395,074	-	13,155,312
Closing balance, 30 September 2019	-	(57,697,871)	-	(579,886,801)	(32,049,377)	-	(669,634,049)
<b>Net book value, 1 January 2019</b>	<b>123,076,461</b>	<b>99,259,155</b>	<b>-</b>	<b>348,269,298</b>	<b>46,890,837</b>	<b>3,136,591</b>	<b>620,632,342</b>
<b>Net book value, 30 September 2019</b>	<b>123,181,461</b>	<b>96,675,214</b>	<b>-</b>	<b>346,724,590</b>	<b>44,839,788</b>	<b>5,217,613</b>	<b>616,638,666</b>

(\*) It includes disposals related to the stores that were closed during the period.

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8. RIGHT OF USE ASSETS

<u>Cost</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Opening balance, 1 January 2020	978,522,591	12,445,125	990,967,716
Additions	172,502,581	-	172,502,581
Disposals	(35,575,687)	-	(35,575,687)
Closing balance, 30 September 2020	<u>1,115,449,485</u>	<u>12,445,125</u>	<u>1,127,894,610</u>
<b><u>Accumulated depreciation</u></b>			
Opening balance, 1 January 2020	(192,138,348)	(4,148,375)	(196,286,723)
Depreciation charge of the period	(156,146,278)	(3,111,282)	(159,257,560)
Disposals	9,667,330	-	9,667,330
Closing balance, 30 September 2020	<u>(338,617,296)</u>	<u>(7,259,657)</u>	<u>(345,876,953)</u>
<b>Net book value, 1 January 2020</b>	<b><u>786,384,243</u></b>	<b><u>8,296,750</u></b>	<b><u>794,680,993</u></b>
<b>Net book value, 30 September 2020</b>	<b><u>776,832,189</u></b>	<b><u>5,185,468</u></b>	<b><u>782,017,657</u></b>

<u>Cost</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Opening balance, 1 January 2019	855,578,984	12,445,125	868,024,109
Additions	73,994,407	-	73,994,407
Transfers (*) (Note 7)	12,780,732	-	12,780,732
Closing balance, 30 September 2019	<u>942,354,123</u>	<u>12,445,125</u>	<u>954,799,248</u>
<b><u>Accumulated depreciation</u></b>			
Opening balance, 1 January 2019	-	-	-
Depreciation charge of the period	(141,442,701)	(3,111,281)	(144,553,982)
Closing balance, 30 September 2019	<u>(141,442,701)</u>	<u>(3,111,281)</u>	<u>(144,553,982)</u>
<b>Net book value, 1 January 2019</b>	<b><u>855,578,984</u></b>	<b><u>12,445,125</u></b>	<b><u>868,024,109</u></b>
<b>Net book value, 30 September 2019</b>	<b><u>800,911,422</u></b>	<b><u>9,333,844</u></b>	<b><u>810,245,266</u></b>

The Group, as a lessee, has been recognized the right-of-use asset that represents the right to use the underlying asset and lease liabilities representing the rent payments for which the Group is liable to pay in its consolidated financial statements.

As of September 30, 2020, the amount of the prepaid unrealized rent expenses that are recognized in the Group's right of use assets is TRY 5,806,018 (30 September 2019: TRY 7,241,656).

(\*) As of 1 January 2019, the Group has reclassified net book value of the assets that are considered as financial leased assets in accordance with TAS 17 before 1 January 2019, into right of use assets in accordance with TFRS 16.

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9. INTANGIBLE ASSETS

**Other Intangible Assets**

<b><u>Cost</u></b>	<b><u>Total</u></b>
Opening balance, 1 January 2020	184,041,520
Additions	20,247,166
Transfers (Note 7)	17,828
Impairments cancelled	554
Disposals	(55,957)
Closing balance, 30 September 2020	204,251,111
<b><u>Accumulated amortization</u></b>	
Opening balance, 1 January 2020	(136,988,573)
Charge for the period	(19,293,149)
Impairments cancelled	(384)
Disposals	54,746
Closing balance, 30 September 2020	(156,227,360)
<b>Net book value, 1 January 2020</b>	<b>47,052,947</b>
<b>Net book value, 30 September 2020</b>	<b>48,023,751</b>

<b><u>Cost</u></b>	<b><u>Total</u></b>
Opening balance, 1 January 2019	171,801,942
Additions	10,069,343
Transfers (Note 7)	425,517
Impairments cancelled	14,588
Disposals	(1,046,964)
Closing balance, 30 September 2019	181,264,426
<b><u>Accumulated amortization</u></b>	
Opening balance, 1 January 2019	(109,224,980)
Charge for the period	(24,108,648)
Impairments cancelled	(10,297)
Disposals	461,771
Closing balance, 30 September 2019	(132,882,154)
<b>Net book value, 1 January 2019</b>	<b>62,576,962</b>
<b>Net book value, 30 September 2019</b>	<b>48,382,272</b>

The intangible assets are mainly consisting of excess cash paid for asset acquisitions and software programs.

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**10. GOODWILL**

Goodwill amount is consisted of following investments:

<u>Investments:</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Kiler Alışveriş	254,018,530	254,018,530
Gima	180,159,453	180,159,453
Alpark	48,301,156	48,301,156
	<u>482,479,139</u>	<u>482,479,139</u>

**11. SHORT AND LONG TERM PROVISIONS**

Provisions for short term liabilities as of 30 September 2020 and 31 December 2019 are as follows:

<u>Short Term Provisions</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Provision for other, risk, litigations and onerous contracts	56,674,192	59,668,625
Provision for personnel and social security	770,000	770,000
	<u>57,444,192</u>	<u>60,438,625</u>

Movements of provision for short term liabilities for the nine-month period ended 30 September 2020 and 2019 are as follows:

	<u>Provision for other risks and litigations</u>	<u>Provision for personnel and social security</u>	<u>Total</u>	
Opening balance, 1 January 2020	59,668,625	770,000	60,438,625	
Charge of the period	9,391,751	-	9,391,751	
Current year reversal / charge	(12,386,184)	-	(12,386,184)	
Closing balance, 30 September 2020	<u>56,674,192</u>	<u>770,000</u>	<u>57,444,192</u>	
	<u>Provision for other risks, litigations and onerous contracts</u>	<u>Provision for personnel and social security</u>	<u>Other</u>	<u>Total</u>
Opening balance, 1 January 2019	67,751,688	770,000	3,580,507	72,102,195
Charge of the period	6,573,891	-	631,166	7,205,057
Current year reversal / charge	(8,519,163)	-	(4,211,673)	(12,730,836)
Closing balance, 30 September 2019	<u>65,806,416</u>	<u>770,000</u>	<u>-</u>	<u>66,576,416</u>

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**11. SHORT AND LONG TERM PROVISIONS (Continued)**

Contingent Assets and Liabilities

There are lawsuits which are filed against the Group and continuing as at balance sheet date. Primary lawsuits consist of the cases with Social Security Institution, debt, rent and labor cases. At each balance sheet date, the management of the Group evaluates the probable results of those cases and accordingly provisions are provided.

Provisions for employment benefits as of 30 September 2020 and 31 December 2019 are as follows:

<u>Short Term Employment Benefits</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Unused vacation provision	6,491,842	10,902,379
	<u>6,491,842</u>	<u>10,902,379</u>
<u>Long Term Employment Benefits</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Employment termination benefit provision	95,222,848	75,888,726
	<u>95,222,848</u>	<u>75,888,726</u>

Movement for employment termination benefit provision for the nine-month period ended 30 September 2020 and 2019 are as follows:

	<u>30 September 2020</u>	<u>30 September 2019</u>
Opening balance, 1 January	75,888,726	54,239,655
Service cost	24,494,478	22,943,606
Interest cost	2,806,843	2,006,124
Compansations paid	(7,967,199)	(11,690,051)
Closing balance, 30 September	<u>95,222,848</u>	<u>67,499,334</u>

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**12. LETTER OF GUARANTEES, PLEDGES AND MORTGAGES**

GPM given by the Group

	<u>30 September 2020</u>	<u>31 December 2019</u>
A. GPM given on behalf of its own legal entity	135,392,669	116,849,916
B. GPM given on behalf of consolidated subsidiaries	-	-
C. Total amount of GPM given on behalf of other third parties' debt	-	-
D. Other GPM	-	-
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-
	<u><u>135,392,669</u></u>	<u><u>116,849,916</u></u>

**30 September 2020**

	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	<u>135,392,669</u>	<u>127,832,728</u>	<u>2,677,997</u>	<u>4,881,944</u>
	<u><u>135,392,669</u></u>	<u><u>127,832,728</u></u>	<u><u>2,677,997</u></u>	<u><u>4,881,944</u></u>

**31 December 2019**

	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	<u>116,849,916</u>	<u>111,255,626</u>	<u>2,037,377</u>	<u>3,556,913</u>
	<u><u>116,849,916</u></u>	<u><u>111,255,626</u></u>	<u><u>2,037,377</u></u>	<u><u>3,556,913</u></u>

The ratio of other GPM given by the Group to the Group's equity is 0% as at 30 September 2020 (31 December 2019: 0%).

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**13. EMPLOYMENT BENEFITS**

Other short-term liabilities as of 30 September 2020 and 31 December 2019 are as follows:

<u>Employee Benefit Liabilities</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Payables to personnel and social security premiums payable (*)	82,886,594	16,615,186
Personnel salary and premium payables	34,184,568	5,966,379
	<u>117,071,162</u>	<u>22,581,565</u>

(\*) Social security and unemployment insurance premium payment amounting to TRY 59,608,278 has been postponed due to covid-19.

**14. OTHER CURRENT LIABILITIES**

Other short-term liabilities as of 30 September 2020 and 31 December 2019 are as follows:

<u>Other Current Liabilities</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Unearned income	19,048,428	14,564,581
Liabilities for shopping cheques	1,666,128	6,204,796
Accrued expenses	1,485,719	493,339
	<u>22,200,275</u>	<u>21,262,716</u>

**15. SHAREHOLDERS' EQUITY**

**a) Capital**

Shareholder structure as of 30 September 2020 and 31 December 2019 is stated below:

<u>Shareholders</u>	<u>(%)</u>	<u>30 September 2020</u>	<u>(%)</u>	<u>31 December 2019</u>
Hacı Ömer Sabancı Holding A.Ş.	50.61	354,239,053	50.61	354,239,053
Carrefour Nederland BV	46.02	322,129,074	46.02	322,129,074
Shares publicly held and other	3.37	23,631,873	3.37	23,631,873
Nominal share capital	<u>100.00</u>	<u>700,000,000</u>	<u>100.00</u>	<u>700,000,000</u>

As of 30 September 2020, the Group has a capital of 700,000,000 TRY (31 December 2019: 700,000,000 TL), divided into 70,000,000,000 (31 December 2019: 70,000,000,000) shares, each with a value of 1 Kuruş. The registered capital limit of the Company is 1,500,000,000 TL, and the registered capital limit permit is valid between 2016/2020 (5 years).

According to the decision dated 25 August 2020, the Board of Directors of the Company decided to decrease the issued capital of the Company which is amounting to TRY 700,000,000 to TRY 104,244,354 by reducing TRY 595,755,646. In addition, The Company also decided to increase the issued capital to TRY 127,773,766 by increasing the total amount of TRY 23,529,412 which will be covered in cash on a nominal value of 1 Kuruş, simultaneously with this capital decrease. As a part of capital increase, the existing shareholders' right to purchase new shares in capital increase will not be restricted. It has been also decided to exercise the new share purchase rights at a price of TRY 17 for a share with a nominal value of 1 TL. Thus, the Company management anticipates that a minimum cash inflow of TRY 400,000,000 will be provided to the Company's resources upon completion of the simultaneous capital increase and reduction.

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**15. SHAREHOLDERS' EQUITY (Continued)**

The inflation adjustment on share capital as of 30 September 2020 and 31 December 2019 are as follows:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Inflation adjustment to share capital	91,845,783	91,845,783
	<u>91,845,783</u>	<u>91,845,783</u>

As of 30 September 2020, capital adjustment differences amounting to TRY 91,845,783 consist of capital adjustment differences resulting from the restatement of the Group's paid-in capital amount and that are not offset to the retained losses or added to share capital (31 December 2019: TRY 91,845,783).

**b) Retained Losses**

	<u>30 September 2020</u>	<u>31 December 2019</u>
Retained losses	(1,124,240,405)	(781,159,617)
	<u>(1,124,240,405)</u>	<u>(781,159,617)</u>

Publicly listed companies distribute dividends in accordance with the requirements of CMB as explained below: In accordance with the CMB's decree issued on 23 January 2014, in relation to the profit distribution of earnings derived from the operations in 2013, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the CMB's Communiqué Serial:II, No: 19.1 "Principles of Dividend Advance Distribution of Companies That Are Subject To The CMB Regulations", terms of articles of association and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

The inflation adjustment differences from the valuation studies for TFRS purposes for those as of the balance sheet date that have not been subject to profit distribution or capital increase have been presented under retained earnings.

With respect to the Corporate Tax Law ("CTL") 5/1-e article, the Group has to keep restricted reserves amounting to TRY 232,724,639 and TRY 37,034,036 which is related Kiler acquisition, in its corporate tax base financial statements for 5 years.

**c) Restricted Reserves**

	<u>30 September 2020</u>	<u>31 December 2019</u>
Legal reserves	12,318,358	12,318,358
	<u>12,318,358</u>	<u>12,318,358</u>

Restricted reserves appropriated from profit are composed of legal reserves. Legal reserves comprise of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to the Turkish Commercial Code, legal reserves can be only used to offset losses unless they exceed the 50% of paid-in capital. Other than that, legal reserves must not be used whatsoever.



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15. SHAREHOLDERS' EQUITY (Continued)

c) Restricted Reserves (continued)

CMB's Communiqué II-1411 and other related CMB's announcements, "Paid-in capital", "Restricted reserves" and "Premium in excess of par" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Decree should be associated with:

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in Capital" and not added to capital;
- "Retained earnings/Accumulated loss", if such differences are arising from "Restricted reserves" and "Premium in excess of par" and has not been subject to profit distribution or capital increase.

Capital restatement differences can only be included in capital.

d) Other Comprehensive Income / Expense not to be Reclassified to Profit and Loss

*Property, Plant and Equipment Revaluation Increases*

This account consists of property, plant and equipment revaluation reserves which has not associated with profit or loss but recognized in other comprehensive income.

The movements of the property, plant and equipment revaluation reserves for the nine-month interim periods ending on 30 September 2020 are as follows:

	30 September 2020	31 December 2019
Opening balance	-	-
Fair value increase	230,422,466	-
Closing balance	230,422,466	-

*Actuarial losses*

	30 September 2020	31 December 2019
Actuarial (losses) / gains	(16,553,327)	(16,553,327)
	(16,553,327)	(16,553,327)

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**16. REVENUE AND COST OF SALES**

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
<b><u>NET SALES</u></b>				
Revenue from retail operations	5,722,442,240	2,066,987,820	4,706,876,286	1,721,612,254
Loyalty program discounts	(18,302,770)	(8,148,850)	(24,974,191)	(6,715,770)
Sales returns	(34,390,484)	(13,758,154)	(45,798,058)	(11,644,417)
Sales discount	(9,145,192)	(2,578,052)	(6,007,138)	(1,889,824)
Rent income	12,654,147	5,152,135	14,067,054	4,785,516
	<u>5,673,257,941</u>	<u>2,047,654,899</u>	<u>4,644,163,953</u>	<u>1,706,147,759</u>
<b><u>COST OF SALES</u></b>				
Opening balance of inventories	(787,922,256)	(894,327,681)	(639,173,766)	(707,300,806)
Purchases	(4,314,973,386)	(1,533,201,766)	(3,456,250,428)	(1,263,242,427)
Closing balance of inventories	926,167,736	926,167,736	734,814,329	734,814,329
Shopping mall general expenses	(1,915,208)	(744,737)	(2,968,822)	(703,959)
	<u>(4,178,643,114)</u>	<u>(1,502,106,448)</u>	<u>(3,363,578,687)</u>	<u>(1,236,432,863)</u>

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**17. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES**

Operating expenses for the periods ended 30 September 2020 and 2019 are as follows:

<b><u>OPERATING EXPENSES</u></b>	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
Marketing expenses	(1,225,612,252)	(424,363,047)	(1,021,174,829)	(354,437,316)
General administrative expenses	(128,236,856)	(41,063,303)	(128,250,074)	(42,697,727)
	<u>(1,353,849,108)</u>	<u>(465,426,350)</u>	<u>(1,149,424,903)</u>	<u>(397,135,043)</u>

**18. EXPENSES BY NATURE**

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
Personnel expenses	(654,753,747)	(214,901,511)	(542,898,426)	(180,757,727)
Depreciation and amortization expenses	(272,820,094)	(92,245,629)	(252,499,382)	(86,116,542)
Energy expenses	(117,169,733)	(47,438,832)	(101,338,433)	(41,833,088)
Rent expenses	(75,633,564)	(27,543,363)	(59,652,328)	(21,182,851)
Repair and maintenance expenses	(56,675,269)	(20,139,482)	(47,323,327)	(16,347,004)
Outsourced expenses	(42,908,573)	(14,848,686)	(36,858,593)	(12,481,771)
Advertising expenses	(32,479,716)	(13,008,923)	(32,068,581)	(12,137,618)
Consultancy expenses	(11,787,157)	(3,456,712)	(16,912,940)	(5,637,006)
Insurance expenses	(6,178,114)	(2,066,987)	(5,232,218)	(1,766,935)
Taxation and other expenses	(5,923,033)	(1,865,731)	(5,801,377)	(1,781,054)
Stationery consumption expenses	(6,205,749)	(2,375,528)	(5,199,253)	(1,801,747)
Decoration material expenses	(5,430,627)	(1,939,632)	(4,973,255)	(1,703,065)
Travel expenses	(5,565,540)	(2,273,385)	(6,956,073)	(2,312,688)
Communication expenses	(609,033)	(223,042)	(788,238)	(214,930)
Other	(59,709,159)	(21,098,907)	(30,922,479)	(11,061,017)
	<u>(1,353,849,108)</u>	<u>(465,426,350)</u>	<u>(1,149,424,903)</u>	<u>(397,135,043)</u>

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

Other income and expenses from operating activities for the periods ended 30 September 2020 and 2019 are as follows:

Other Operating Income	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreign exchange gain from operational activities	25,090,977	12,732,484	15,853,505	3,454,947
Concessions for rent payments	7,163,576	2,481,323	-	-
Cancellations regarding lease termination provisions	2,397,591	409,117	-	-
Provisions no longer required	219,954	-	4,322,327	68,809
Impairment no longer required	656,806	-	214,670	106,467
Other income	10,088,282	6,930,123	2,056,456	398,071
	<u>45,617,186</u>	<u>22,553,047</u>	<u>22,446,958</u>	<u>4,028,294</u>

Provision no longer required consists of releases of provisions provided for matters in dispute and risks in previous periods.

Other Operating Expenses (-)	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreign exchange losses from operational activities	(111,981,888)	(41,632,892)	(156,049,055)	(47,217,784)
Provision expenses	(17,364,186)	(7,577,538)	(14,413,040)	(5,153,633)
Interest expenses from operational activities	(1,763,813)	(271,887)	(6,100,149)	(2,828,702)
Operational interest rate	(816,143)	(267,614)	(1,055,794)	(427,909)
Depreciation expense for impairment	-	-	(116,283)	(105,986)
Other expenses and losses	(40,881,088)	(13,589,334)	(32,339,129)	(12,267,574)
	<u>(172,807,118)</u>	<u>(63,339,265)</u>	<u>(210,073,450)</u>	<u>(68,001,588)</u>

Provision expenses are mainly consisting of risk and legal provisions.

**20. FINANCE INCOME**

Finance income for the periods ended 30 September 2020 and 2019 are as follows:

Finance income	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreing exchange income	11,948,747	3,163,745	45,796,563	8,054,814
Interest income	3,073,256	577,911	4,945,238	596,819
	<u>15,022,003</u>	<u>3,741,656</u>	<u>50,741,801</u>	<u>8,651,633</u>

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**21. FINANCE COSTS**

Finance costs for the periods ended 30 September 2020 and 2019 are as follows:

<u>Finance costs</u>	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
Interest expenses on lease liabilities	(156,275,358)	(54,380,774)	(145,098,563)	(47,033,184)
Interest expenses	(123,048,107)	(34,308,033)	(168,838,878)	(56,735,915)
Foreing exchange expenses	(14,263,970)	(4,182,534)	(22,065,814)	(7,585,174)
Credit card commision costs	(9,344,406)	(4,174,744)	(10,338,163)	(4,730,225)
	<u>(302,931,841)</u>	<u>(97,046,085)</u>	<u>(346,341,418)</u>	<u>(116,084,498)</u>

**22. TAX ASSETS AND LIABILITIES**

<u>Tax Expense of the Period</u>	1 January- 30 September 2020	1 January- 30 September 2019
Corporate tax expense of the current period	-	-
Deferred tax income	47,597,338	73,687,348
Tax income/(expense) from continuing operations	<u>47,597,338</u>	<u>73,687,348</u>

The Group is subject to taxation in accordance with the tax regulation and the tax legislation effective in Turkey. Required provisions are made in the accompanying consolidated financial statements for the estimated tax charge based on the Group's results for the current period. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a corporate tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax is applied to the total income, after adjusting for certain disallowable expenses and exempt income.

The tax legislation provides for a temporary tax of 22% (2019: 22%) to be calculated and paid based on earnings generated for each quarter for the nine-month period ended 30 September 2020. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

According to the Article 91 of the Law numbered 5520 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

In Turkey, temporary corporate tax is calculated and filed quarterly. Losses can be carried forward for a maximum period of five years to offset against future taxable income. However, losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, inspect tax returns and the related accounting records and may revise assessments within five years.

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**22. TAX ASSETS AND LIABILITIES (Continued)**

***Exemption from corporate tax:***

75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 30 September 2020 and 30 September 2019. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% and tax declarations starting from 2018 will be calculated using 50%.

In order to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

***Income withholding tax:***

In addition to corporate taxes, companies should also calculate income withholding tax surcharge on any dividends distributed, except for resident companies in Turkey which include this dividend income in their taxable profit for the related period and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003.

This rate was changed to 15% with the resolution of Council of Ministers on 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, companies can deduct 40% of their investment expenditures from the taxable income, within the scope of the investment incentive certificate and that are directly related to production facilities. The investments without investment incentive certificates do not qualify for tax allowance.

As of 30 September 2020, and 31 December 2019, the Group has no income tax liabilities.

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

Deferred tax calculation for the periods ended 30 September 2020 and 31 December 2019 is as follows:

<u>The basis for deferred tax timing differences:</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Provision for onerous contract and other contingencies	54,187,787	73,547,429
Provision for impairment in fixed assets	100,198	2,987,921
Inventory valuation differences	123,746,277	124,725,323
Other current assets	(45,168,657)	(22,643,101)
Provision for employment termination benefit	95,222,848	75,888,726
Property, plant and equipment and intangible assets	(325,459,375)	(73,853,770)
Right of use assets	(787,823,675)	(799,910,607)
Other short term liabilities	39,623,264	67,667,969
Finance lease payables	899,526,582	862,934,894
Prior year losses	1,237,080,648	1,003,923,389
	<u>1,291,035,897</u>	<u>1,315,268,173</u>

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**22. TAX ASSETS AND LIABILITIES (Continued)**

<u>Deferred tax assets / (liabilities) :</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Provision for onerous contract and other contingencies	11,921,313	16,180,434
Provision for impairment in fixed assets	20,040	597,584
Inventory valuation differences	27,224,181	27,439,571
Other current assets	(9,937,105)	(4,981,480)
Provision for employment termination benefit	19,044,570	15,177,745
Property, plant and equipment and intangible assets	(49,070,524)	(14,770,754)
Right of use assets	(157,564,735)	(159,982,121)
Other short term liabilities	8,717,118	14,886,953
Finance lease payables	182,996,716	175,418,179
Prior year losses	247,416,130	200,784,678
	<u>280,767,704</u>	<u>270,750,789</u>

**Carry forward tax losses**

In accordance with the Turkish taxation legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The Group estimates that it will be able to utilize the deductible carry forward tax losses using the estimated profits in the following years. The expiration dates of such carry forward tax losses are as follows:

	<u>30 September 2020</u>	<u>31 December 2019</u>
2021	312,597,059	312,597,059
2022	344,549,152	344,549,152
2023	2,246,132	1,880,547
2024	344,866,374	344,896,631
2025	232,821,931	-
	<u>1,237,080,648</u>	<u>1,003,923,389</u>

The movements of deferred tax asset as of and for the nine month period ended 30 September 2020 and 2019 are as follows:

<u>Deferred tax asset:</u>	<u>30 September 2020</u>	<u>30 September 2019</u>
Opening balance at 1 January	270,750,789	179,757,217
Current year income	47,597,338	73,687,348
Tax (expense)/income associated with equity	(37,580,423)	-
Closing balance at 30 September	<u>280,767,704</u>	<u>253,444,565</u>

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**23. EARNINGS (LOSS) / PER SHARE**

Weighted average number of shares and basic earnings per share for the periods ended 30 September 2020 and 30 September 2019

Opening, number of shares (Note 15)	70,000,000,000	70,000,000,000
Share addition	-	-
Closing, number of shares (total)	<u>70,000,000,000</u>	<u>70,000,000,000</u>
Weighted average number of shares (Note 15)	70,000,000,000	70,000,000,000
Net loss for the period (TL)	<u>(227,091,564)</u>	<u>(279,174,597)</u>
Loss per share gain (Kr)	<u>(0.0032)</u>	<u>(0.0040)</u>
Loss per share gain (TL)	<u>(0.3244)</u>	<u>(0.3988)</u>



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**24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

<u>Cash and cash equivalents (Note 3)</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Akbank T.A.Ş.	150,016,999	156,820,099
	<u>150,016,999</u>	<u>156,820,099</u>
<u>Financial Liabilities (Note 4)</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Akbank T.A.Ş.	615,514,966	679,818,883
Burgan Bank A.Ş.	-	50,157,500
Ak Finansal Kiralama A.Ş.	9,912,621	24,140,310
	<u>625,427,587</u>	<u>754,116,693</u>
<u>Trade receivables from related parties (Note 5)</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Carrefour World Trade	30,171,195	16,460,398
Akbank T.A.Ş.	350,671	105,989
Carrefour Polska Sp. z o. o.	8,464	375,257
Carrefour Nederland BV	165,829	165,829
Socomo S.A.	163,069	163,069
Ak Finansal Kiralama A.Ş.	36,918	36,918
Carrefour Global Sourcing Asia	51,892	249
Teknosa İç ve Dış Ticaret A.Ş.	10,001	-
Akçansa Çimento Sanayi ve Ticaret A.Ş.	-	329,886
Hacı Ömer Sabancı Holding A.Ş.	19,744	30,400
Other	322,569	268,014
	<u>31,300,352</u>	<u>17,936,009</u>
<u>Trade payables to related parties (Note 5)</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Philip Morris Sabancı Sigara ve Tütünçülük Sanayi ve Tic. A.Ş.	10,256,507	19,009,208
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	13,276,199	10,965,704
Teknosa İç ve Dış Ticaret A.Ş.	9,399,384	207,278
Sabancı Dijital Teknoloji Hizmetler A.Ş.	6,373,105	19,356,747
Aksigorta A.Ş.	3,153,608	292,697
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	106,350	106,350
Avivasa Emeklilik ve Hayat A.Ş.	589	93,028
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	4,683	-
Other	313,684	225,489
	<u>42,884,109</u>	<u>50,256,501</u>
<u>Other short term payables to related parties</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Hacı Ömer Sabancı Holding A.Ş.	22,848,755	7,031,377
Carrefour Partenariat International	5,128,440	4,352,612
	<u>27,977,195</u>	<u>11,383,989</u>

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**24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<u>Purchases from related parties (goods)</u>				
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	198,575,123	64,726,062	186,483,958	71,459,149
Teknosa İç ve Dış Ticaret A.Ş.	21,919,671	6,125,685	1,905,701	136,957
	<u>220,494,794</u>	<u>70,851,747</u>	<u>188,389,659</u>	<u>71,596,106</u>
<u>Purchases from related parties (services)</u>				
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	90,053,663	38,967,383	70,364,247	32,358,024
Sabancı Dijital Teknoloji Hizmetler A.Ş.	11,814,039	3,743,254	7,194,277	2,429,314
Aksigorta A.Ş.	6,102,615	2,038,709	5,126,257	1,747,736
Teknosa İç ve Dış Ticaret A.Ş.	807,389	160,350	105,126	21,717
Other	78,493	40,638	58,797	44,205
	<u>108,856,199</u>	<u>44,950,334</u>	<u>82,848,704</u>	<u>36,600,996</u>
<u>Rent income from related parties</u>				
Akbank T.A.Ş.	1,013,114	100,855	1,127,845	90,656
Teknosa İç ve Dış Ticaret A.Ş.	1,385,989	497,330	1,008,988	444,329
	<u>2,399,103</u>	<u>598,185</u>	<u>2,136,833</u>	<u>534,985</u>
<u>Rebates and other income from related parties</u>				
Carrefour World Trade	32,756,945	13,252,031	17,792,382	6,112,194
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Ticaret A.Ş.	4,966,024	1,708,692	3,909,616	1,323,862
Teknosa İç ve Dış Ticaret A.Ş.	2,399,166	1,223,173	1,685,702	655,380
Akbank T.A.Ş.	1,560,341	614,785	189,768	124,976
Akçansa Çimento Sanayi ve Ticaret A.Ş.	821,586	292,501	42,150	6,842
Carrefour Polska Sp. z o. o.	448,455	-	586,780	198,010
Carrefour Global Sourcing Asia	470,551	155,808	-	-
Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş.	343,260	40,850	268,867	-
Carrefour Romania	258,682	-	-	-
Aksigorta A.Ş.	210,145	9,139	111,310	110,169
Avivasa Emeklilik ve Hayat A.Ş.	215,056	49,685	407,219	9,794
Çimsa Çimento Sanayi ve Ticaret A.Ş.	141,537	-	222,972	90,687
Hacı Ömer Sabancı Holding A.Ş.	221,822	89,013	56,021	13,634
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	82,259	-	-	-
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	10,535	-	-	-
Ak Yatırım Menkul Değerler A.Ş.	3,281	-	-	-
Carrefour Nederland BV	-	-	260,502	89,889
Sabancı Dijital Teknoloji Hizmetler A.Ş.	-	-	108,186	785
Other	101,058	39,523	52,866	724
	<u>45,010,703</u>	<u>17,475,200</u>	<u>25,694,341</u>	<u>8,736,946</u>

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**24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<u>Other expenses to related parties</u>				
Hacı Ömer Sabancı Holding A.Ş.	19,461,380	7,029,189	15,922,950	5,856,294
Carrefour Parteneriat International	18,559,885	5,128,441	11,642,219	4,271,087
Ak Yatırım Menkul Değerler A.Ş.	-	-	22,824	-
Aksigorta A.Ş.	14,426	-	281,578	281,578
	<u>38,035,691</u>	<u>12,157,630</u>	<u>27,869,571</u>	<u>10,408,959</u>
<u>Interest income from related parties</u>				
Akbank T.A.Ş.	2,746,868	427,298	3,836,668	587,796
<u>Interest expense and credit card commission to related parties</u>				
Akbank T.A.Ş.	62,291,422	15,661,783	88,567,897	34,109,328
Burgan Bank A.Ş.	5,353,685	694,018	-	-
Ak Finansal Kiralama A.Ş.	654,763	162,879	1,325,733	379,608
	<u>68,299,870</u>	<u>16,518,680</u>	<u>89,893,630</u>	<u>34,488,936</u>

The Group key management consists of executive board and board of directors. The total amount of benefits for the key management personnel in the current period is as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Salaries and other short term benefits	7,657,562	2,608,284	8,164,133	2,133,699
Other long term benefits	442,177	161,886	446,408	152,298
	<u>8,099,739</u>	<u>2,770,170</u>	<u>8,610,541</u>	<u>2,285,997</u>

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**25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**Foreign Currency Risk**

Foreign currency denominated transactions create foreign exchange risks. The Group uses derivative financial instruments to avoid financial risks occurs from operations, financial agreements and cash flows.

The foreign currency denominated assets and liabilities of monetary items are as follows:

	<b>30 September 2020</b>		
	<b>TRY Equivalents (Functional currency)</b>	<b>USD</b>	<b>EUR</b>
1. Trade receivables	30,936,391	49,019	3,347,208
2. Liquid assets	26,165,757	3,156,331	166,642
3. CURRENT ASSETS (1+2)	57,102,148	3,205,350	3,513,850
4. Other	42,605,454	4,462,932	850,000
5. NON-CURRENT ASSETS	42,605,454	4,462,932	850,000
6. TOTAL ASSETS (3+5)	99,707,602	7,668,282	4,363,850
7. Trade payables	8,445,281	503,132	494,827
8. Other payables	5,128,440	-	561,830
9. Financial liabilities	24,825,697	3,179,521	-
10. Non-monetary other liabilities	568,571	72,819	-
11. CURRENT LIABILITIES (7+8+9+10)	38,967,989	3,755,472	1,056,657
12. Financial liabilities	29,258,728	-	3,205,347
13. NON-CURRENT LIABILITIES	29,258,728	-	3,205,347
14. TOTAL LIABILITIES (11+13)	68,226,717	3,755,472	4,262,004
15. Net foreign currency asset / liability position (6-14)	31,480,885	3,912,810	101,846
16. Net monetary foreign currency asset / liability position (6-14+10)	32,049,456	3,985,629	101,846
17. Fair value of financial instruments used for foreign currency hedge	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	209,544	26,837	-

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25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign Currency Risk (Continued)

	31 December 2019		
	TRY Equivalents (Functional currency)	USD	EUR
1. Trade receivables	18,252,876	182,041	2,581,950
2. Liquid assets	75,945,777	9,731,518	2,727,365
3. CURRENT ASSETS (1+2)	94,198,653	9,913,559	5,309,315
4. Other	32,568,650	4,531,100	850,000
5. NON-CURRENT ASSETS	32,568,650	4,531,100	850,000
6. TOTAL ASSETS (3+5)	126,767,303	14,444,659	6,159,315
7. Trade payables	16,720,197	2,814,753	-
8. Other payables	4,352,612	-	654,469
9. Financial liabilities	66,667,744	10,391,671	742,661
10. Non-monetary other liabilities	1,138,808	191,712	-
11. CURRENT LIABILITIES (7+8+9+10)	88,879,361	13,398,136	1,397,130
12. Financial liabilities	20,451,583	-	3,075,149
13. NON-CURRENT LIABILITIES	20,451,583	-	3,075,149
14. TOTAL LIABILITIES (11+13)	109,330,944	13,398,136	4,472,279
15. Net foreign currency asset / liability position (6-14)	17,436,359	1,046,523	1,687,036
16. Net monetary foreign currency asset / liability position (6-14+10)	18,575,167	1,238,235	1,687,036
17. Fair value of financial instruments used for foreign currency hedge	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	-	-	-

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**25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**Foreign Currency Risk (Continued)**

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising primarily from USD and EUR. The following table demonstrates the sensitivity of the Group to a possible change of 10% in US dollar and EUR rates. 10% is a reasonable rate as it is limited with 10% share capital commitment. Sensitivity analysis based on the foreign exchange risk at the reporting date, is identified with the changes at the beginning of the fiscal year and kept constant during the fiscal period. Negative value implies the effect of 10% increase in USD and in EUR foreign currency rates against TRY on the decrease in the net profit.

	<b>30 September 2020</b>	
	Income / Expense	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case of 10% appreciation of USD against TRY		
1 - US Dollar net asset / liability	3,055,123	(3,055,123)
2- Amount hedged from US Dollar risk (-)	-	-
<b>3- US Dollar net effect (1 +2)</b>	<b><u>3,055,123</u></b>	<b><u>(3,055,123)</u></b>
In case of 10% appreciation of EUR against TRY		
4 - Euro net asset / liability	92,966	(92,966)
5 - Amount hedged from Euro risk (-)	-	-
<b>6- Euro net effect (4 +5)</b>	<b><u>92,966</u></b>	<b><u>(92,966)</u></b>
<b>TOTAL (3 + 6)</b>	<b><u>3,148,089</u></b>	<b><u>(3,148,089)</u></b>

	<b>31 December 2019</b>	
	Income / Expense	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case of 10% appreciation of USD against TRY		
1 - US Dollar net asset / liability	621,655	(621,655)
2- Amount hedged from US Dollar risk (-)	-	-
<b>3- US Dollar net effect (1 +2)</b>	<b><u>621,655</u></b>	<b><u>(621,655)</u></b>
In case of 10% appreciation of EUR against TRY		
4 - Euro net asset / liability	1,121,980	(1,121,980)
5 - Amount hedged from Euro risk (-)	-	-
<b>6- Euro net effect (4 +5)</b>	<b><u>1,121,980</u></b>	<b><u>(1,121,980)</u></b>
<b>TOTAL (3 + 6)</b>	<b><u>1,743,635</u></b>	<b><u>(1,743,635)</u></b>

***Fair value***

The principles used in determining the fair values of financial assets and liabilities are as follows:

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**25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

*Financial assets*

Certain financial assets including cash and cash equivalents are presented on cost basis and are assumed to reflect their fair values as they are liquid and classified as current assets.

Trade receivables are presented netted off related doubtful portion of the receivable and are assumed to reflect their fair value.

*Financial liabilities*

Short term TRY denominated, and fixed interest rate bank borrowings are assumed to converge to its fair value, as their drawdown date close to the balance sheet date.

Long term foreign currency denominated bank borrowings and finance lease payables are assumed to converge to its fair value fair value.

The carrying amount of long-term TRY denominated bank borrowing are not significantly different from its fair value when considering current market borrowing costs.

Since trade payables are short-term, they are assumed to reflect their fair values.

*Classification regarding fair value measurement*

"TFRS 7 – Financial Instruments: Disclosure" requires the companies to disclose the classification and hierarchy of the data used in determining the fair values of the financial instruments. The basis for the hierarchy is dependent on whether the data used in fair value calculation is observable or not. Observable inputs mean that the Group using market inputs derived from independent sources and unobservable inputs mean that the Group using market expectation and assumptions. This distinction leads to classifications presented as below:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market. (unobservable inputs).

**26. OTHER SIGNIFICANT MATTER AFFECTING TO OR MAKING FINANCIAL STATEMENTS MORE CLEAR, INTERPRETABLE AND UNDERSTANDABLE THAT SHOULD BE DISCLOSED**

The measures taken against the Covid-19 epidemic and epidemic, declared as a pandemic by the World Health Organization (WHO) on March 11, 2020, continue to cause disruptions in operations and negatively affect economic conditions in all countries exposed to the epidemic. As a result, asset prices, liquidity, exchange rates, interest rates and many other issues are affected, and the future remains uncertain due to the effects of the epidemic. The company management closely monitors all developments, makes detailed evaluations and takes the necessary measures in order to minimize the possible effects of the Covid-19 epidemic on its activities, financial status, financial performance and cash flows. Due to the Covid-19 outbreak, the Company temporarily closed 12 stores in the first six months and reopened 11 stores. As of 30 September 2020, 1 store is temporarily closed. Additionally, discounts on rent amounts due to Covid-19 in the nine-month period were also recognized in other income from operating activities.

The Group evaluated the possible effects of the Covid-19 epidemic on the consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements during the preparation of the accompanying condensed consolidated interim financial statements as of 30 September 2020. In this context, the Group has tested the possible impairment of financial and non-financial assets recognised in the interim consolidated financial statements and no impairment has been identified.

As of 30 September 2020, there are no significant issues affecting the Group's operations and consolidated financial statements, except those disclosed in the condensed consolidated interim financial statements.

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**27. EVENTS AFTER THE BALANCE SHEET DATE**

On 26 October 2020, the Group will make the following material event disclosure at Public Disclosure Platform in accordance with CMB's principle decision dated 10 April 2014 and numbered 11/352.

"Our Company has issued its financial statements in accordance with CMB regulations dated 30 September 2020. According to the third paragraph of Article 376 of the Turkish Commercial Code, the total of the Group's capital and legal reserves were unrequired in these condensed consolidated interim financial statements. In accordance with the CMB decision dated 10 April 2014 and numbered 11/352, based on the valuation reports used in determining the market value of land and buildings, a Special Purpose Financial Statement (TTC 376 balance sheet) is presented in the attachment. In this Special Purpose Financial Statement of the Company (TCC 376 balance sheet), the shareholders' equity is determined as TRY (176,798,765). At the Ordinary General Assembly of the Company held on 14 May 2020, the Board of Directors was instructed to determine the issue in accordance with TCC 376, bring appropriate solutions and fulfill the necessary formalities, including the approvals to be obtained from the relevant public institutions, and present them to the General Assembly.

In this context, according to the decision dated 25 August 2020, the Board of Directors of the Company decided to decrease the issued capital of the Company which is amounting to TRY 700,000,000 to TRY 104,244,354 by reducing TRY 595,755,646. In addition, the Company also decided to increase the issued capital to TRY 127,773,766 by increasing the total amount of TRY 23,529,412 which will be covered in cash on a nominal value of 1 Kuruş, simultaneously with this capital decrease. Accordingly, the Company applied to the CMB on 14 September 2020."

On 26 October 2020, The Group will announce on the Public Disclosure Platform the decision of the Board of Directors regarding the approval of the report on the rationale of the capital increase / decrease in accordance with the first paragraph of article 473 of the TCC, and the Board of Directors' decision regarding the acceptance of the report regarding the usage of fund that will be obtained from the capital increase.