CARREFOURSA CARREFOUR
SABANCI TİCARET MERKEZİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
YEAR END FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2023

(ORIGINALLY ISSUED IN TURKISH)

28 March 2024

This report contains 6 pages of the independent auditors'report and 69 pages of financial statements and notes.

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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards as adopted within the framework of the Capital Markets Board ("CMB") regulations, published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under Standards on Auditing issued by POA are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA *(including Independence Standards)* ("POA's Code of Ethics") and the ethical principles regarding independent audit of financial statements in the CMB legislation and other relevant legislation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

Refer to Note 2.5.1 to the financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

The key audit matter	**How the matter was addressed in our audit**
The Company's revenue is mainly comprise of retail sales and income from sublease. There exists inherent control risk related to the accuracy of retail sales revenue recognized in the financial due to the processing of large volumes of data in invoice process. The Company's income generated from its suppliers are based on the trade agreements with suppliers and the contents of these agreements consist of commitments to purchase amounts, promotions and marketing activities, and various types of discounts. These commitments can vary depending on the turnover and for the sum of purchases made during that period or for certain products within those purchases as of periods. Therefore, the Company's retail sales revenues and revenues from its suppliers has been the focus area in audit.	We have performed the following audit procedures to be responsive to retail sales revenue: -Assessing the compliance of the Company's accounting policy with respect to accounting for revenue in accordance with TFRS 15 and the adequacy of disclosures related to the Company's revenue -Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the below controls; -key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls; and -Reconciliation of retail sales revenues recognized throughout the year with cash and credit card collections verified from relevant bank documents; -Substantive testing on a sample of non-systematic transactions which are outside of the normal retail process; -Testing, on a sample basis, sales returns accepted subsequent to the year end in order to assess whether the sales returns are properly accounted for in the appropriate financial period. -Evaluation of high-risk journal entries that the Company has accounted for during the year.

	We have performed the following audit procedures to be responsive to revenue from suppliers: -Testing the fulfillment of contract conditions, turnover premium rates and relevant conditions for significant turnover premiums income to ensure that turnover premiums income received from suppliers are accounted for in accordance with the terms of the relevant contracts in the correct period and in the correct amount; -Controlling the subsequent period realizations (invoices) of turnover premiums income recognized as accruals -Verification of current accounts related to the suppliers, which a significant portion of turnover premiums income are generated, through external confirmations; - Analyzing the current contracts with suppliers and evaluating the suitability and appropriateness of accounting policies and the adequacy and relevance of relevant disclosures in terms of elements to be generated in the current period.

Impairment of goodwill

Refer to Note 2.6:5, 2.7.1 and Note 12 to the financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for impairment of goodwill.

The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2023, the Company's goodwill amount is TL 3.014.070 (31 December 2022: TL 3.268.687) and there is an TL 254.617 impairment on goodwill amount for the year ended 31 December 2023 (31 December 2022: none). According to TAS 36 Impairment of Assets, the intangible assets with an indefinite useful life has to be tested for impairment annually. In performing impairment assessments, management has used significant estimates and assumptions. The management compared the carrying value of each of the separately identifiable cash generating units to which goodwill had been allocated with their respective recoverable amounts to determine if any impairment loss should be recognized. The recoverable amount of cash generating units, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes per square meter and basket prices, operating costs, estimates related with new store openings and store closings, change in working capital, terminal value growth rates and the weighted-average cost of capital ("WACC"). Since the carrying value of goodwill is significant for the financial statements and the determination of the estimates and assumptions used in the estimation of the recoverable amount of goodwill requires significant judgment, this issue has been identified as one of the key audit matters.	We have performed the following audit procedures to be responsive to this area: -Involving our own corporate finance specialist to assist in evaluating the appropriateness of discount rates and long term growth rate applied, which included comparing the WACC with retail sector averages; -Controlling of the design and mathematical accuracy of the calculation model of discounted cash flows, -Evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and basket prices, operating costs, estimates related with new store opening and store closing, change in working capital, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; -Performing our own sensitivity analysis which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the cash generating units and -Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code (“TCC”) numbered 6102; the Independent Auditor’s Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 28 March 2024.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2023 and 31 December 2023, the Company’s bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company’s articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

ORIGINIALLY ISSUED IN ENGLISH

Erman Durmaz, SMMM
Partner
28 March 2024
İstanbul, Türkiye

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CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2023 AND 2022

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

	Notes	Audited 31 December 2023	Audited 31 December 2022
ASSETS			
Current Assets		**8,765,266**	**8,032,167**
Cash and Cash Equivalents	3	1,706,397	1,965,009
Trade Receivables			
Due From Related Parties	5, 27	67,978	31,847
Other Trade Receivables	5	1,003,136	651,064
Other Receivables			
Other Receivables from Third Parties	6	337,641	256,970
Inventories	7	5,435,854	4,909,785
Prepaid Expenses			
Prepaid Expenses to Related Parties	8, 27	35,503	37,892
Other Prepaid Expenses	8	178,757	179,600
Non-Current Assets		**10,573,556**	**10,313,056**
Other Receivables			
Other Receivables from Third Parties	6	161,914	346,033
Property, Plant and Equipment	10	2,981,043	2,874,883
Right of Use Assets	9	3,990,879	3,573,705
Intangible Assets			
Goodwill	12	3,014,070	3,268,687
Other Intangible Assets	11	277,594	243,711
Prepaid Expenses			
Other Prepaid Expenses	8	5,192	6,037
Deferred Tax Assets	25	142,864	--
TOTAL ASSETS		**19,338,822**	**18,345,223**

Accompanying notes are an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2023 AND 2022

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

	Notes	Audited 31 December 2023	Audited 31 December 2022
LIABILITIES			
Current Liabilities		**11,890,748**	**11,497,956**
Financial Liabilities			
Short Term Bank Loans from Related Parties	4, 27	51,689	165,767
Other Short Term Bank Loans	4	1,253,917	1,663,107
Other Financial Liabilities			
Other Financial Liabilities to Third Parties	4	218,785	--
Short Term Portion of Long Term Finance Lease Liabilities			
Other Short Term Portion of Long Term Lease Liabilities	4	460,530	427,682
Trade Payables			
Due to Related Parties	5, 27	191,076	80,742
Other Trade Payables	5	8,782,006	8,466,936
Employee Benefit Liabilities	15	454,146	213,903
Other Payables			
Due to Related Parties	6, 27	75,371	68,417
Other Short Term Payables	6	131,645	104,334
Short Term Provisions			
Provisions for Employment Benefits	13	12,354	9,440
Other Short Term Provisions	13	109,215	126,149
Deferred Income	16	136,611	159,025
Other Current Liabilities		13,403	12,454
Non-Current Liabilities		**2,301,885**	**2,696,736**
Long Term Finance Lease Liabilities			
Other Long Term Finance Lease Liabilities	4	1,804,775	1,824,530
Long Term Provisions			
Provisions for Employment Termination Benefits	13, 25	497,110	655,790
Deferred Tax Liabilities	25	--	216,416
TOTAL LIABILITIES		**14,192,633**	**14,194,692**
EQUITY		**5,146,189**	**4,150,531**
Shareholders' Equity		**5,146,189**	**4,150,531**
Share Capital	17	127,774	127,774
Inflation Adjustment to Share Capital	17	12,722,801	12,722,801
Share Issue Premium		1,956,717	1,956,717
Other Comprehansive Income/ Expense			-
-Property, Plant and Equipment Revaluation Increases	17	-	-
-Losses on Remeasurement of Defined Benefit Obligations	17	(618,465)	(409,927)
Restricted Reserves	17	116,251	116,251
Retained Loss	17	(10,363,085)	(11,523,982)
Net Loss for the Period		1,204,196	1,160,897
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**19,338,822**	**18,345,223**

Accompanying notes are an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

	Notes	Audited 2023	Audited 2022
PROFIT OR LOSS			
Revenue	18	44,341,304	36,272,967
Cost of Sales (-)	18	(35,217,219)	(29,308,332)
GROSS PROFIT		**9,124,085**	**6,964,635**
Marketing Expenses (-)	19	(9,082,161)	(7,265,306)
General Administrative Expenses (-)	19	(1,247,309)	(902,432)
Other Income From Main Operations	21	404,203	188,851
Other Expenses From Main Operations (-)	21	(2,541,726)	(1,318,356)
OPERATING LOSS		**(3,342,908)**	**(2,332,608)**
Income From Investment Activities	22	--	33,667
Impairment Loss and Reversals of Impairment Losses in Accordance with TFRS 9		(1,282)	(734)
OPERATING LOSS BEFORE FINANCE COSTS		**(3,344,190)**	**(2,299,675)**
Finance Income	23	47,846	37,677
Finance Costs (-)	24	(1,417,274)	(1,261,525)
Monetary Gain		5,628,047	5,029,326
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**914,429**	**1,505,803**
Tax Income / (Expense) from Continuing Operations		**289,767**	**(344,906)**
- Taxes on Income	25	-	-
- Deferred Tax Income / (Expense)	25	289,767	(344,906)
NET PROFIT FOR THE PERIOD		**1,204,196**	**1,160,897**
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified Under Profit or Loss, After Tax		**(208,538)**	**(360,504)**
- Remeasurements of Defined Benefit Liability	13	(278,051)	(450,630)
- Remeasurements of Defined Benefit Liability, Tax Effect	25	69,513	90,126
TOTAL COMPREHENSIVE INCOME		**995,658**	**800,393**
Profit per share (1 TRY per share)			
Basic profit per share			
Profit per share from continued operations		9.4244	9.0856
Profit per share from discontinued operations		-	-
Total basic earnings per share	26	**9.4244**	**9.0856**
Diluted profit per share			
Diluted profit per share from continued operations		9.4244	9.0856
Diluted profit per share from discontinued operations		-	-
Total diluted profit per share		**9.4244**	**9.0856**

Accompanying notes are an integral part of these financial statements.

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(In thousands of Turkish Lira ("TRY") expressed in 31 December 2023 purchasing power, unless otherwise stated)

(Note 17)	Share Capital	Inflation Adjustment to Share Capital	Share Issue Premium	Actuarial Loss	Restricted Reserves	Retained Loss	Net Profit / (Loss) for the Period	Total
Balance at 1 January 2022	**127,774**	**12,722,801**	**1,956,717**	**(49,423)**	**116,251**	**(9,872,017)**	**(1,651,965)**	**3,350,138**
Transfers	-	-	-	-	-	(1,651,965)	1,651,965	-
Sale of Real Estate	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(360,504)	-	-	1,160,897	800,393
Balances at 31 December 2022	**127,774**	**12,722,801**	**1,956,717**	**(409,927)**	**116,251**	**(11,523,982)**	**1,160,897**	**4,150,531**
Balance at 1 January 2023	**127,774**	**12,722,801**	**1,956,717**	**(409,927)**	**116,251**	**(11,523,982)**	**1,160,897**	**4,150,531**
Transfers	-	-	-	-	-	1,160,897	(1,160,897)	-
Total comprehensive income	-	-	-	(208,538)	-	-	1,204,196	995,658
Balances at 31 December 2023	**127,774**	**12,722,801**	**1,956,717**	**(618,465)**	**116,251**	**(10,363,085)**	**1,204,196**	**5,146,189**

Accompanying notes are an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	Audited 1 January- 31 December 2023	Audited 1 January- 31 December 2022
Net profit for the period		**1,204,196**	**1,160,897**
Adjustments to reconcile net profit for the period		**2,234,722**	**2,191,514**
- Depreciation of property, plant and equipment	10	662,710	639,428
- Amortization of intangible assets	11	147,193	123,473
- Amortization of right of use assets	9	1,289,382	1,054,342
- Gain on disposal of tangible assets	22	--	(33,667)
- Net change in risk, lawsuit, personnel, SSI and other provisions	13	32,656	20,548
- Adjustments to interest income	23	(47,846)	(37,677)
- Adjustments to interest expense	24	1,417,274	1,261,525
- Impairment provision, net	21	46,570	(1,581)
- Change in unused vacation provision		2,914	(7,571)
- Provision for employment termination benefit	13	196,123	87,366
- Allowance for doubtful receivables	5	3,003	2,854
- Change in provision for inventory impairment	18	32,375	14,504
- Unrealized foreign exchange gain		(37,746)	(12,320)
- Tax (income) / expense	25	(289,767)	344,906
- Goodwill impairment provison expenses	21	254,617	--
- Adjustment to net monetary gain		(1,474,736)	(1,264,616)
Changes in working capital:		**55,108**	**37,625**
- Increase in trade receivables, including collection from doubtful receivables		(355,075)	(284,535)
- Increase in inventories		(558,444)	(554,459)
- Increase in due from related parties		(36,131)	(21,394)
- Decrease / (increase) in other receivables and current assets		103,448	(365,436)
- Decrease in prepaid expenses		4,077	5,099
- Increase in other short term payables		27,311	14,765
- Increase in trade payables		533,855	1,329,591
- Increase / (decrease) in due to related parties		117,288	(100,761)
- Increase / (decrease) in employee benefit liabilities		240,243	(3,249)
- (Decrease) / increase in other short-term liabilities		(21,464)	18,004
Cash received from operating activities		**3,494,026**	**3,390,036**
- Employee termination benefits paid	13	(262,068)	(48,031)
Net cash received from operating activities		**3,231,958**	**3,342,005**

Accompanying notes are an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

		Audited 1 January- 31 December	Audited 1 January- 31 December
CASH FLOWS FROM INVESTING ACTIVITIES	**Notes**	**2023**	**2022**
- Acquisition of property, plant and equipment	10	(862,137)	(727,521)
- Acquisition of intangible assets	11	(179,283)	(143,115)
- Proceeds from sale of tangible and intangible assets		67,730	391,667
Net cash used in investing activities		**(973,690)**	**(478,969)**
CASH FLOWS FROM FINANCING ACTIVITIES			
- Proceeds from bank borrowings	4	2,178,524	2,483,843
- Repayment of borrowings		(2,026,598)	(2,496,583)
- Repayment of finance lease payables	4	(1,134,038)	(1,025,725)
- Interest paid		(722,300)	(727,521)
- Interest received	23	47,846	37,677
- Other cash outflows		(125,606)	(56,017)
Net cash used in financing activities		**(1,782,172)**	**(1,784,326)**
Increase in cash and cash equivalents		**476,096**	**1,078,710**
Cash and cash equivalents at the beginning of the year		**1,965,009**	**2,365,616**
- The impact of change in foreign currency exchange rate over cash and cash equivalents		37,746	12,320
- Inflation impact on cash and cash equivalents		(772,454)	(1,491,637)
Cash and cash equivalents at the end of the year	**3**	**1,706,397**	**1,965,009**

Accompanying notes are an integral part of these financial statements.

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:67 A, B Blok Maltepe / İstanbul.

As at 31 December 2023, number of personnel of the Company is 10,519 (31 December 2022: 10,663).

As of 31 December 2023, the Company has 22 hypermarkets, 341 frachises and 684 supermarkets (31 December 2022: 23 hypermarkets, 200 franchise, 672 supermarkets).

The main and ultimate controlling shareholders of the Company are Hacı Ömer Sabancı Holding A.Ş. and Carrefour Nederland BV, respectively.

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, of which 15% of its shares are publicly traded in Borsa İstanbul A.Ş., with an amount of TRY 429,574. The share purchase demand has been approved by Turkish Competition Authority on 30 June 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 to the vendors, by cash, on the 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 62,291 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 at 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.

(*) Amounts stated in above paragraphs are expressed in purchasing power at the transaction date.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of the presentation

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

The accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the Communiqué numbered II-14.1 “Communiqué on Principles of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The financial statements are presented in accordance with the formats determined in the "Announcement on the TRFS Taxonomy" published by the POA on 15 April 2019 and Financial Statement Examples and User Guide published by the CMB.

Approval of financial statements:

The financial statements are approved by the Company’s Board of Directors on 28 March 2024. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these financial statements.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of the presentation (Continued)

(b) Basis of measurement

These financial statements have been prepared in accordance with the "TAS 29 Financial Reporting in Hyperinflationary Economies" standard, with monetary assets and liabilities, and on the historical cost basis adjusted for the effects of inflation on the Turkish Lira at the reporting date.

(c) Presentation and functional currency

These financial statements are presented in Turkish Lira (“TRY”), which is the functional currency of the Company. All financial information presented in TRY is expressed in thousand of TRY with the purchasing power as of 31 December 2023, otherwise stated.

2.2 Financial Reporting in Hyperinflationary Economies

With the announcement made by POA on 23 November 2023, “Announcement on Application of TAS 29 Financial Reporting in Hyperinflationary Economies and BOBİ FRS Chapter 25 Financial Reporting in Hyperinflationary Economies”, it has been accounced that entities applying TFRS should present their financial statements for the periods ending on or after 31 December 2023 by adjusting for the inflation effect in accordance with the accounting principles in "TAS 29 Financial Reporting in in Hyperinflationary Economies" standard. Pursuant to the decision of CMB dated 28 December 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations that apply Turkish Accounting/Financial Reporting Standards will apply inflation accounting by applying the provisions of TAS 29 starting from their annual financial reports for the periods ending on 31 December 2023. As a result, the financial statements of entities whose functional currency is Turkish Lira are restated for the changes in the general purchasing power of the Turkish Lira based on TAS 29 as at 31 December 2023. The restatement is calculated by means of conversion factors derived from the Turkish countrywide consumer price index published by the Turkish Statistical Institute (“TSI”). The indices and conversion factors used to restate the accompanying financial statements for the last three years are as follows:

Date	Index	Conversion factor
31 December 2023	1,859.38	1.00000
31 December 2022	1,128.45	1.64773
31 December 2021	686.95	2.70672

Inflation accounting was first applied in the opening balance sheet as of 1 January 2021 for the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as of and ending on 31 December 2022. For this reason, while preparing the accompanying financial statements, inflation adjustments within the scope of TAS 29 have been applied starting from the opening balance sheet dated 1 January 2021. As of 1 January 2021, the amount of prior year losses without inflation adjustment is TRY 1,110,480 and the amount of prior year losses as of the same date after inflation adjustment within the scope of TAS 29 is TRY 9,875,381, with the purchasing power of 31 December 2023.

TFRS require the financial statements of an entity with a functional currency that is hyperinflationary to be restated in accordance with TAS 29 requirements whether they are based on a historical cost or a current cost approach and to be applied retrospectively, as if the currency had always been hyperinflationary. The basic principle in TAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the reporting date. Comparative figures for prior period are restated into the same current measuring unit.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Financial Reporting in Hyperinflationary Economies (Continued)

The main procedures applied for the restatements mentioned above are as follows:

- Monetary assets and liabilities that are carried at amounts current at the reporting date are not restated because they are already expressed in terms of the monetary unit current at the reporting date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant conversion factors from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date.
- Property, plant and equipment are restated by applying the change in the index from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date. Depreciation is based on the restated amonts.
- All items in the income statement except for the depreciation charges explained above and deferred tax charges, are restated by applying the monthly conversion factors of the transactions to the reporting date.
- The effects of inflation on the net monetary position of the Company, is included in the profit or loss statement as “monetary gain / (loss)”.
- All items in the cash flow statement are expressed in the terms of the measuring unit current at the reporting date; and all items in the statement of cash flows are, therefore, restated by applying the relevant conversion factors from the date on which the transaction originated.

In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of TAS 29 as if the economy had always been hyperinflationary. Therefore, in relation to non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements shall be restated to reflect the effects of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. For non-monetary items carried at the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period.

The Company applied TAS 29 in its opening statement of financial position and restate the relevant amounts to reflect the effect of inflation from the date when assets were acquired and liabilities were assumed until the end of the reporting period.

2.3 Changes in accounting policies, comparative information and restatement of prior periods' financial statements

To allow for the determination of the financial situation and performance trends, the Company's financial statements have been presented comparatively with the previous period. The Company presented its balance sheet as of 31 December 2023 comparatively with the balance sheet as of 31 December 2022; its statements of comprehensive income, its statements of cash flow and its statements of change in shareholders' equity as of 31 December 2023 comparatively with the financial statements as of 31 December 2022. When necessary, comparative figures are reclassified in order to comply with the presentation of the current period financial statements and material differences are disclosed.

Accounting policies have been applied consistently by the Company in all periods presented in the financial statements. Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in Estimates and Error

If the changes in accounting estimates are related with a specific period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods. Significant accounting errors are applied retrospectively and prior period financial statements are restated. The assumptions and significant accounting estimates used in the preparation of the 31 December 2023 financial statements have not changed compared to those used in the previous year.

2.5 Summary of Significant Accounting Policies

The accounting policies described below have been consistently applied by the Company in all periods presented in the financial statements.

2.5.1. Revenue

General model for accounting of revenue

In accordance with TFRS 15, a five-stage approach is followed in recognizing revenue for all contracts with customers.

Step 1: Identify the contract with a customer

A contract is considered within the scope of TFRS 15 only if it is legally enforceable, collectable, rights and payment terms for goods and services are identifiable, the contract has commercial substance, the contract is approved by the parties, and the parties undertake to fulfill their obligations.

The Company treats the contracts as a single contract when there is only one obligation under the contracts, when contracts are negotiated as a single trade package, or when a contract is dependent on the goods or services (or part of the goods or services) by another contract.

Step 2: Identify the performance obligations in the contract

The Company defines the "performance obligation" as an account unit for the recognition of revenue. The Company evaluates the goods or services committed in a contract with the customer and determines each commitment made to the customer as a performance obligation to transfer one of the following:

(a) good or service (or a bundle of goods or services) that is distinct; or

(b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Company may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A single contract may contain promises to deliver to the customer more than one good or service. At contract inception, an entity determines whether the goods or services (or bundle of goods or services) is a single performance obligation.

Step 3: Determination of transaction price

The Company evaluates how much it expects to obtain after fulfilling its contractual obligation to determine the transaction price. In making the assessment, it considers whether the contract contains elements related to variable amounts and an important financing component.

Significant financing component

If the contract contains a significant financing component, to estimate the transaction price in a contract, the Company adjusts the promised amount to reflect the time value of money. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer. The Company does not have sales transactions which includes significant financing component.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.1. Revenue (continued)

Variable consideration

The Company assesses whether the contract includes discounts, rebates, refunds, rights of return, credits, price concessions, incentives, performance bonuses, penalties, or similar items may result in variable consideration.

Step 4: Allocate the transaction price to the performance obligations in the contract

The transaction price is allocated to each performance obligation – generally each distinct good or service – to depict the amount of consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to the customer. If there are no directly observable stand-alone selling prices available, the total price in the contract is distributed on the basis of expected cost plus profit margin.

Step 5: Recognition of revenue

An entity recognizes revenue over time when one of the following criterias are met:

- The customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs
- The entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- The entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The company uses a method that reliably measures the obligation performed. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled on time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

In cases where the cost to be incurred by the Company exceeding the expected economic benefits to be incurred to fulfill the contractual obligations, the Company provides a provision in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contract modifications

If the Company commits to providing an additional good or service, it accepts the change of contract as a separate contract. In case of termination of the existing contract and creation of a new contract, relevant changes are recognized if the goods or services offered are different. If the modification to the contract does not create separate goods or services, the entity shall account for it by combining the additional goods or services with the original contract as if they were part of the original contract.

The details of important accounting policies regarding the various goods and services of the Company and revenue accounting methods are given below.

i) Retail sales revenues

The Company’s retail sales revenues are recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Since the Company generally carries out retail sales with cash or credit cards and customers obtain control of the goods as sales are realized, revenue is recognized at the time of sale.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.1. Revenue (continued)

ii) Revenues from rental income

The Company's revenues from trade centers consists of rental income arising from rent contracts with tenants. Such rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease. The Company sold its trade center in June 2018, from which it obtained a significant portion of its rental income.

iii) Customer royalty programme

The Company operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases.

The reward points are considered as a separable part of the initial sale and the fair value of the reward points and other parts of the sale are allocated, and the portion of the reward points is accounted for as deferred income. Revenue from the reward points is recognised when the points are redeemed. In line with predetermined rates, the revenue from reward points is recognized periodically.

iv) Franchise revenue

Franchise revenues consist of the revenues obtained from the sales of the products by the Company to its dealers to sell at their branches and royalty fees. The Company recognizes the turnover premium expenses arising from its contracts with its dealers as a deduction from the relevant revenue amounts on an accrual basis in the same period.

2.5.2. Inventories and cost of sales

Inventories are stated at the lower of cost or net realizable value. The cost of inventories includes all acquisition costs and other costs incurred in bringing the inventories to the Company's stores and warehouses. Inventories are valued using the moving weighted average cost method. Borrowing costs are not included in cost of inventory. Expenses are recognized when the costs for the shipment of inventories from warehouses to stores are incurred. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The Company calculates the impairment of inventory based on the past experience of statistical results of slow-moving non food inventory.

The turnover premiums arising from the contracts of the Company with its suppliers and the discounts received from vendors are recognized on an accrual basis during the period in which the vendors benefit from the services and are recognized in cost of goods sold.

2.5.3 Plant, property and equipment

(i) Accounting and measurement

Property, plant and equipment are measured at cost, including borrowing costs, by deducting any accumulated depreciation and any impairment provisions.

When the parts comprising tangible assets have different useful lives, they are accounted for as separate parts (significant parts) of the tangible asset.

Gains or losses arising from the disposal of a tangible asset are recognized in profit or loss.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Legal fees are also included to cost. For qualifying assets, borrowing costs may be capitalized. Such properties are classified to the appropriate categories of property, plant and equipment when they are completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when assets are ready for their intended use.

Other tangible assets consist of equipment other than machinery and equipment.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.3 Plant, property and equipment (continued)

(ii) Subsequent costs

Subsequent expenditures can only be capitalized in cases where it is possible to transfer the economic benefits that will occur as a result of these expenses to the Company. All other expenses are recognized in expense items in the statement of profit or loss as they occur.

(iii) Depreciation

Items of tangible assest are depreciated as of the day they are currenty usable or, for assets constructed by the Company, on the day these assets are completed and ready for use. Cost of tangible assets are depreciated using the straight-line method over their expected useful lives. Depreciation is generally recognized in profit or loss unless it is included in the carrying amount of another asset.

Based on the average useful lives of property, plant and equipment, the depreciation periods are stated below:

Machinery and equipment	4-18 years
Other tangible assets	5-10 years

When a tangible asset is disposed of or when no future economic benefits are expected from its use or sale, it is derecognised. The gain or loss arising from the disposal of plant, property and equipment is determined as the difference between the sales revenue and the book value of the asset and is included in the profit or loss statement. If the book value of an asset is more than its estimated recoverable value, the book value of the asset is reduced to its recoverable value.

2.5.4 Intangible Assets and Goodwill

Intangible assets acquired

Intangible assets acquired include software and other rights. Intangible assets are amortized on a straight-line basis over the related assets’ estimated useful lives and the amortization costs are reflected in the income statement. The estimated useful life and amortization method are reviewed annually and the effect of any changes in estimates being accounted for on a prospective basis. The estimated useful lives of these assets are 3 to 5 years.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Mentioned costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives. The estimated useful lives of computer softwares are 3 to 5 years.

Nuisance value

Nuisance value consists of price of the stores purchased by the Company that exceed the fair value of the assets. Nuisance value is recognized under intangible assets and amortized during the contract period.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.4 Intangible Assets and Goodwill (continued)

Goodwill

Goodwill arising from the acquisition of a subsidiary is the portion of the consideration paid in excess of the fair value of net identifiable assets, liabilities and contingent liabilities in the acquiree and the non-controlling interest in the acquiree.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises. Each unit or group of units to which the goodwill is allocated is the smallest asset group of the entity in which the goodwill is monitored for managerial purposes.

Goodwill impairment is reviewed annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Derecognition of intangible assets

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

2.5.5 Financial Leases Transactions

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in TFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

a. As a Lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.5 Financial Leases Transactions (continued)

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and 12 months and shorter leases, including machines and IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies TFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in TFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.5 Financial Leases Transactions (continued)

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other revenue.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from TFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

2.5.6 Financial Instruments

i) Recognition and measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI – equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the purpose of the business model; manage daily liquidity needs, maintain a certain interest rate, or align the maturity of financial assets with the maturity of the debts that fund these assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.6 Financial Instruments (continued)

ii) Classification and subsequent measurement (continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of contractual cash flows (i.e. trigger event);
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company’s contractual rights to receive cash flows from certain assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.6 Financial Instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses (continued)

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.Financial liabilities at fair value through profit or loss are record with their fair value and evaluate with fair value as of balance sheet date. Change in the fair value is recognized in income statement. Recognized income or loss includes the paid interest for the financial liabilities. As of the balance sheet date, the Company does not have any financial liabilities at fair value through profit or loss.Gains or losses arising from the derecognition of such liabilities are recognized in profit or loss.

iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. As at 31 December 2023 and 31 December 2022 the Company does not have any derivative financial instruments.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.7 Borrowing Costs

Borrowing costs directly or indirectly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.5.8 Impairment of Assets

Non-derivative financial assets

Financial instruments and contract assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- Debt instruments determined to have low credit risk at the reporting date; and
- Other debt instruments and bank balances for which the credit risk (ie, the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Lifetime ECLs are expected credit losses from all possible default events over the expected life of financial instruments.

12-month expected credit losses are that result from possible default events within the 12 months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

In other words, they are credit losses measured over the present value of all cash deficits. (for example, the difference between the cash inflows to the business based on the contract and the cash flows the business expects to collect)

Cash deficit is the difference between the cash flows that must be made to the business according to the contract and the cash flows that the business expects to receive. Since the amount and timing of the payments are taken into consideration in the expected credit losses, a credit loss occurs even if the company expects to receive the entire payment late than the term specified in the contract. ECLs are discounted at the effective interest rate of the financial asset.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.8 Impairment of Assets (continued)

Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss.

Write-off

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery.

For individual customers, if the financial asset is over 180 days past due to the Company 's historical experience with regard to the recovery of similar assets, there is a disengagement policy based on the gross book value of the financial asset. For corporate customers, the Company makes an assessment of the timing and the amount to be deducted, based on whether there is a reasonable recovery expectation individually. The Company does not expect a significant recovery regarding the amount deducted from the record.

However, the recorded financial assets may still be subject to implementation activities in order to comply with the Company 's procedures regarding the recovery of overdue amounts.

Non-financial assets

In each reporting period, the Company reviews the book values of its non-financial assets (excluding investment properties, stocks and deferred tax assets) to determine if there are any signs of impairment. If such an indicator exists, the recoverable amount of the asset is estimated. Goodwill is tested for impairment annually (Note 12).

The Company examines the book value of its tangible and intangible assets to determine whether there are impairments in each reporting period and subordinates its stores to impairment tests for certain periods during the year and records the portion of cash generating unit exceeding the recoverable value of the recognited value as impairment expense (Note 10 and Note 11).

For impairment testing, assets are grouped by the smallest group of assets generating cash inflows, regardless of continued use, cash inflows from other assets or cash-generating units (“CGU”). Goodwill arising from a business combination is allocated to CGUs or CGU groups that are expected to benefit from the synergies of the combination.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.8 Impairment of Assets (continued)

Non-financial assets (continued)

The recoverable amount of an asset or cash generating unit (“CGU”) is the higher of its value in use and its fair value is sold at lower costs. The value in use is based on the time value of money and the estimated future cash flows that are reduced to their present value using the pre-tax discount rate that reflects the current market assessments of the asset or risks specific to CGU.

If an asset or CGU's recoverable amount is lower than its book value, the carrying value of that asset or CGU is reduced to its recoverable amount. Impairment losses are recognized in profit or loss. First, it will reduce the book value of any goodwill distributed to CGU, and then it is distributed by reducing the book value of other assets in CGU.

Impairment loss related to goodwill is not canceled. Impairment loss for other assets is reversed only if the impairment is not determined, after the impairment or amortization is deducted, the book value of the asset does not exceed the book value specified.

2.5.9 Business Combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Company is recognised at fair value at the acquisition date. Some changes in the fair value of the contingent consideration that the acquirer recognizes after the acquisition date may be the result of additional post-acquisition information about circumstances existing at the acquisition date. Such changes are measurement period adjustments. However, changes resulting from events after the merger date, such as meeting an earnings target, reaching a specific share price, or reaching a milestone in a research and development project, are not measurement period adjustments.

The acquirer accounts for the changes in the value of the contingent price that do not have a measurement period adjustment as follows:

(a) Contingent consideration that is classified as equity is not measured again and the subsequent payment made is accounted within the equity.

(b) Other contingent consideration;

(i) In the context of TFRS 9, the contingent consideration is measured at its fair value at each reporting date and changes in its fair value are included in the financial statements in profit or loss in accordance with TFRS 9.

(ii) In the absence of TFRS 9, the contingent consideration is measured at its fair value at each reporting date and changes in its fair value are included in the financial statements in profit or loss.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.9 Business Combinations (continued)

The acquirer recognizes the goodwill as of the date of merger as the fair value of the equity share in the acquired business previously held at the merger date of the acquisition and the net assets of the acquired business in the determined net assets.

The transferred amount may include assets or liabilities of the acquirer, whose book values differ from their fair values at the date of merger (for example, non-monetary assets or a business of the acquirer). If this is the case, the acquirer re-measures the fair values of the transferred assets or liabilities as of the merger date and accounts for the resulting gains or losses in profit or loss. However, sometimes the transferred assets or liabilities remain in the merged business after the business combination (for example, if assets or liabilities were transferred to the acquired business instead of the former owners) and the acquirer continues to have control of the assets or liabilities in question.

In internal transactions, balances and unrealized gains arising from transactions with group businesses are eliminated. Unrealized losses are also eliminated. When necessary, the amounts reported by the affiliates are adjusted to comply with the group's accounting policies.

2.5.10 Foreign Currency Transactions

Transactions in foreign currencies are translated into Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Foreign currency denominated non-monetary assets and liabilities measured at fair value are translated into the functional currency at the exchange rate on the date the fair value was determined in foreign currency. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

Non-monetary items measured at historical cost in foreign currencies are translated at the exchange rate at the date of the transaction.

As of 31 December 2023 and 2022, [Euro / TRY] and [US Dollar / TRY] exchange rates are as follows:

	31 December 2023	**31 December 2022**
Euro / TRY	32.5739	19.9349
US Dollar / TRY	29.4382	18.6983

2.5.11 Earnings/Loss Per Share

Earnings/loss per share is the portion of the net profit or loss that accounts for the common share, which divided by the weighted average unit of common share (Note 26). In Turkey, companies, can increase their capitals by the “bonus share” method that they distributed from the prior year profits. This type of “bonus share” distribution, is considered as issued share in the earnings per share calculations. Accordingly, weighted average share amount used in this calculations are computed by considering the prior effects of the distributed shares as well.

2.5.12 Events After The Balance Sheet Date

Events after the reporting date cover the events which arise between the reporting date and the balance sheet date that have positive or negative effects over the Company. Should any evidence come about events that were prior to the reporting date or should new events come about they will be explained in the relevant footnote. The Company restates its financial statements if such subsequent events arise which require to adjust financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.13 Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2.5.14 Restructuring Provisions

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2.5.15 Related Parties

A party is related to an entity if:

(a) Directly, or indirectly through one or more intermediaries, the party:

(i) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) Has an interest in the entity that gives it significant influence over the entity; or

(iii) Has joint control over the entity;

(b) The party is an associate of the entity;

(c) The party is a joint venture in which the entity is a venture;

(d) The party is a member of the key management personnel of the entity or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d);

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or;

(g) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

2.5.16 Current period tax expense and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively (Note 25).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.16 Current and Deferred Income Tax (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company calculates deferred tax liability for all taxable temporary differences related to its subsidiaries, if the offset time of taxable temporary differences could be controlled and the offset of taxable temporary differences is probable in a foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.5.17 Employee Benefits/ Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard 19 (revised) “Employee Benefits” (“TAS 19”).

The retirement benefit obligation recognised in the balance sheet represents the net present value of the total due to retirement of all employees. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Retirement pay provision is not legally subject to any funding.

The Company has made changes in its assumptions made for the utilization rate related to the probability of entitlement used in calculating the provision for severance pay after 1 January 2018. As a result of the aforementioned amendment, different rates have been determined for the probability of seniority entitlement, separately for the employees of the headquarters and store employees, and for different age ranges. Accordingly, the following actuarial assumptions are used to calculate the total long-term allowance:

	2023	2022
Discount rate per annum (%)	3.00	0.50
Probability of retirement (%)	76.67	75.99

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 35,058.58 (1 January 2023: Full amount with the purchasing power on the relevant date TRY 19,982.83) which is effective from 1 January 2024, has been taken into consideration in calculating the Company’s provision for employment termination benefits.

2.5.18 Statement of Cash Flow

In statement of cash flow, cash flows are classified according to operating, investment and finance activities. Cash flows from operating activities reflect cash flows generated from fast-moving consuming goods sales and rent income of the Company.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Company. Cash flows relating to finance activities express sources of financial activities and payment schedules of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.19 Share Capital and Dividends

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

2.5.20 Deferred revenue

Both due to sales contracts and other reasons, such as advances received from customers or other persons, all or part of the amount is collected in the current period or accrued as receivables, but the income belonging to future periods.

2.5.21 Prepaid expenses

Amounts generally made to suppliers and to be transferred to expense and cost accounts in a later period (or periods) are shown in prepaid expenses.

2.5.22 Other income and expenses from main operations

Other operating income consists of concessions for rent payments, income from rental agreement termination, foreign exchange gains arising from monetary financial assets and liabilities other than debt instruments, provisions no longer required and other income related to main operations.

Other operating expenses consist of interest expenses from purchases via credit, foreign exchange expenses arising from monetary financial assets and liabilities other than debt instruments, provision expenses and other expenses related to main operations.

2.5.23 Income and expenses from investment activities

Income and expenses from investment activities consist of profits or losses from sales of tangible and intangible assets and subsidiaries.

2.5.24 Finance income and finance costs

Financing income consists of interest income on bank deposits, which form part of the cycle used for financing, and foreign exchange income on financial assets and liabilities (other than trade receivables and payables).

Financial expenses include interest expenses on bank loans and lease liabilities, credit card commission expenses and foreign exchange expenses on financial assets and liabilities (other than trade receivables and payables).

2.6 Significant Accounting Estimates and Assumptions

The preparation of financial statements requires the Company 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, necessary adjustments are made and reflected in the profit or loss statement in the period they are realized.

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

2.6.1 Impairment Test of Goodwill

As mentioned in Note 2.5.4 and Note 2.5.8, goodwill is reviewed for the impairment by the management. The recoverable amount of such cash-generating units is calculated according to the value in use. These value-in-use calculations include discounted after-tax cash flow projections in TRY. The related projections are based on the long term plans including years between 2024-2028, which are approved by the management. In long-term growth plans, growth rate of 7% was taken into consideration (31 December 2022: 7%). The discount rate as of 31 December 2023, used for the calculation of value-in-use amount is 31.8% (31 December 2022: 27.5%). That discount rate used is after tax discount rate and includes specific risks of the Company (Note 12).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Significant Accounting Estimates and Assumptions (Continued)

2.6.2 Provisions

As mentioned in Note 2.5.13, provisions are recognized when the Company has a legal obligation as a result of a past event, and it is probable that the Company 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 31 December 2023 the Company evaluated the current risks and booked related provisions (Note 13).

2.6.3 Deferred Tax Asset

The Company recognizes deferred tax asset and liability on the differences between the carrying amounts of assets and liabilities in the financial statements 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 Company’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 31 December 2023 and 2022, 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. Deferred tax assets consisting of tax losses are recognized on the condition that it is highly probable that these differences will be benefited from in the future by earning taxable profits.

2.7 Amendments Published but not Yet Effective and not Early Adopted As Of 31 December 2023

Standards issued but not yet effective and not early adopted

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 Company 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 which 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.

After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. Related amendment was published by POA as “TFRS 2023” on 3 January 2023.

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

The Company does not expect that application of these amendments to TAS 1 will have significant impact on its financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Amendments Published but not Yet Effective and not Early Adopted As Of 31 December 2023 (continued)

Lease Liability in a Sale and Leaseback – Amendments to TFRS 16 Leases

In September 2022, IASB issued Lease Liability in a Sale and Leaseback, which amends IFRS 16 Leases. Related amendment was published by POA as "TFRS 2023" on 3 January 2023. Amendments to TFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of TFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of TFRS 16 in 2019, and potentially restate those that included variable lease payments.

The Company does not expect that application of these amendments to TFRS 16 Leases will have significant impact on its financial statements.

Amendments to TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

On 25 May 2023, IASB has amended TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures. Related amendment was published by POA on 19 September 2023. The amendments introduce additional disclosure requirements for companies that enter into supplier finance arrangements (referred to as supply chain finance, payables finance or reverse factoring arrangements). However, they do not address the classification and presentation of the related liabilities and cash flows.

The IASB's amendments apply to supplier finance arrangements1 that have all of the following characteristics.

- A finance provider pays amounts a company (the buyer) owes its suppliers.
- A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
- The company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

The amendments do not apply to arrangements for financing receivables or inventory.

The amendments introduce two new disclosure objectives – one in TAS 7 and another in TFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Amendments Published but not Yet Effective and not Early Adopted As Of 31 December 2023 (continued)

Amendments to TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements (continued)

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements.

TSRS 1 General Requirements for Disclosure of Sustainability-related Financial Information and TSRS 2 Climate-related Disclosures

On 26 June 2023, The International Sustainability Standards Board (ISSB) has issued IFRS® Sustainability Disclosure Standards (IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures to create a global baseline of investor-focused sustainability reporting that local jurisdictions can build on. Related standards were published by POA as “TSRS 1 and TSRS 2” on 29 December 2023.

Two standards are designed to be applied together, supporting companies to identify and report information that investors need for informed decision making – in other words, information that is expected to affect the assessments that investors make about companies’ future cash flows.

To achieve this, the general standard provides a framework for companies to report on all relevant sustainability-related topics across the areas of governance, strategy, risk management, and metrics and targets.

The standards are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. But it will be for individual jurisdictions to decide whether and when to adopt. Accordingly, POA announced in the Board Decision published in the Official Gazette dated 29 December 2023 that certain entities will be subject to mandatory sustainability reporting as of 1 January 2024 .

The Company is within the scope of the application as it meets the criteria specified in the Board Decision.

The new standards, amendments and interpretations that are issued by the IASB but not issued by POA

Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify:

- When a currency is exchangeable into another currency; and
- How a company estimates a spot rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate.

A company’s objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Amendments Published but not Yet Effective and not Early Adopted As Of 31 December 2023 (continued)

The new standards, amendments and interpretations that are issued by the IASB but not issued by POA (continued)

Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (continued)

Therefore, when estimating a spot rate a company can use:

- An observable exchange rate without adjustment; or
- Another estimation technique.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- The nature and financial impacts of the currency not being exchangeable;
- The spot exchange rate used;
- The estimation process; and
- Risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the Amendments to IAS 21.

Amendments are effective on 1 January 2023

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2023:

1- Disclosure of Accounting Policies (Amendments to TAS 1)
2- Definition of Accounting Estimates (Amendments to TAS 8)
3- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes
4- International Tax Reform – Pillar Two Model Rules – Amendments to TAS 12
5- Amendments to IAS 12- IFRS for SMEs Accounting Standard – International Tax Reform – Pillar Two Model Rules

These newly adopted amendments to standards have not been a significant impact on the financial statements of the Company.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash on hand	110,427	115,399
Cash in transit (*)	103,582	123,761
Credit card receivables	975,901	1,286,208
Banks		
Time deposit	--	174,813
Demand deposit	516,487	264,828
	1,706,397	1,965,009

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

Related party balances in cash and cash equivalents are stated in Note 27.

As at 31 December 2023, the Company does not have any time deposits.

As at 31 December 2022, time deposits are as follows:

Currency	Interest rate	Maturity	31 December 2022
TRY	16.00%	2 January 2023	174,659
		Interest accrual	154
			174,813

The Company does not have any blocked deposits as at 31 December 2023 and 2022.

The Company’s exposure to currency and interest rate risks and relevant sensitivities for cash and cash equivalents are disclosed in Note 28.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

4. FINANCIAL LIABILITIES

Short Term Financial Liabilities	31 December 2023	31 December 2022
Short Term Financial Liabilities from Related Parties		
Bank loans with fixed interest rates (*)	51,689	165,767
Other Short Term Financial Liabilities		
Bank loans with fixed interest rates (*)	482,945	1,479,897
Bank loans with variable interest rates (*)	288,170	183,210
Sukuk issuance (*/**)	482,802	-
	1,305,606	1,828,874

Other Short Term Financial Liabilities	31 December 2023	31 December 2022
Credit Card Liabilities to Third Parties	218,785	-
	218,785	-

Short Term Portion of Long Term Financial Liabilities	31 December 2023	31 December 2022
Lease payables	460,530	427,682
	460,530	427,682

Long Term Financial Liabilities		
Lease payables	1,804,775	1,824,530
	1,804,775	1,824,530

(*) As at 31 December 2023 and 2022 the details of short term bank loans and sukuk issuance are as follows:

Currency	Interest Rate (i)	31 December 2023
TRY (Fixed interest rate)	43.26%	953,500
TRY (Variable interest rate)	33.26%	250,000
	Interest accrual	102,106
		1,305,606

Currency	Interest Rate	31 December 2022
TRY (Fixed interest rate)	20.06%	1,549,690
TRY (Variable interest rate)	17.34%	164,773
	Interest accrual	114,411
		1,828,874

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

(**) The Company issued sukuk amounting to TRY 250,000 on 28 September 2023 with a maturity of 179 days and an interest rate of 45%, and on 8 November 2023, an amount of TRY 190,000 with a maturity of 364 days and an interest rate of 48%.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

4. FINANCIAL LIABILITIES (Continued)

Finance lease payables consist of the followings:

Finance lease payables	Present value of minimum lease payments	
	31 December 2023	31 December 2022
Within one year	915,809	879,413
Less : Future finance charges	(455,279)	(451,731)
Present value of finance lease obligations	460,530	427,682
Two years and after	3,132,224	3,183,393
Less : Future finance charges	(1,327,449)	(1,358,863)
Present value of finance lease obligations	1,804,775	1,824,530

The Company's lease obligations represent the present value of the future payables of the stores, vehicles and buildings that are leased from third parties through their useful lives.

The repayment schedule of long-term borrowings as of 31 December 2023 and 2022 in TRY equivalent is as stated below:

	31 December 2023	31 December 2022
2024	-	162,670
2025	156,945	153,036
2026	101,578	144,982
2027	64,204	95,751
2028 and after	1,482,048	1,268,091
	1,804,775	1,824,530

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

4. FINANCIAL LIABILITIES (Continued)

The reconciliation of the Company’s obligations arising from its operating lease liability is as follows:

	31 December 2023	31 December 2022
1 January lease liabilities	2,252,212	2,803,401
Current period additions	1,729,382	1,136,436
Current period lease payments	(1,134,038)	(1,025,725)
Current period interest expenses	581,673	552,657
Inflation impact	(1,163,924)	(1,214,557)
31 December lease liabilities	2,265,305	2,252,212

The reconciliation of the Company’s obligations arising from its borrowings is as follows:

	31 December 2023	31 December 2022
1 January borrowings	1,828,874	3,220,607
Current period additions	2,178,524	2,483,843
Interest and capital repayments	(2,748,898)	(3,224,103)
Current period interest expenses (including accruals)	709,995	652,851
Inflation impact	(662,889)	(1,304,324)
31 December borrowings	1,305,606	1,828,874

As of 31 December 2023 and 2022, there are no guarantees given related to the financial borrowings.

The Company’s financial liabilities due to related parties are stated in Note 27.

The Company’s exposure to foreign exchange risk and liquidity risk related to borrowings is disclosed in Note 28.

As of 31 December 2023 and 31 December 2022, the Company has export commitment for some of the loans has been used.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

5. TRADE RECEIVABLES AND PAYABLES

Trade Receivables	31 December 2023	31 December 2022
Other trade receivables	1,017,680	680,646
Rent receivables	9,134	10,977
Provision for doubtful trade receivables	(23,678)	(40,559)
	1,003,136	651,064
Due from related parties (Note 27)	67,978	31,847
	1,071,114	682,911

The movement of the allowance for doubtful receivables for the years ended 31 December 2023 and 2022 is as follows:

	31 December 2023	31 December 2022
Opening balance	40,559	85,042
Collections	(1,721)	(1,200)
Provisions no longer required	(1,935)	(12,865)
Inflation impact	3,003	2,854
Charge for the period	(16,228)	(33,272)
Closing balance	23,678	40,559

As of 31 December 2023 and 2022, trade receivables due dates vary depending on the sector and company and the average due dates are lower than three months. The Company evaluates the credibility of the receivable and the transactions between the creation time of the receivable and reporting date when considering the collectability of its receivables. As the Company is working with a large number of clients, credit risk of the Company has been scattered and there is no concentrated credit risk.

Details of the Company's exposure to credit risk, currency risk and impairment for trade receivables are disclosed in Note 28.

The guarantees received for the Company’s trade receivables are as follows:

	31 December 2023	31 December 2022
Letters of guarantee received for trade receivables	746,545	422,290
	746,545	422,290

Short Term Trade Payables	31 December 2023	31 December 2022
Trade payables	8,782,006	8,466,936
Due to related parties (Note 27)	191,076	80,742
	8,973,082	8,547,678

Average payment terms of commoditiy purchase is variying depending on sector and suppliers.
As of 31 December 2023 and 31 December 2022, the average payment term is less than three months.
As of 31 December 2023, amount of letters of guarantee received by the Company from banks and given to its suppliers is TRY 823,165 (31 December 2022: TRY 709,644).

The Company’s exposure to liquidity and foreign currency risk for trade payables are disclosed in Note 28.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

6. OTHER RECEIVABLES AND PAYABLES

Other Short Term Receivables	31 December 2023	31 December 2022
VAT receivables	290,159	239,165
Receivables from personnel	16,369	8,021
Other receivables	31,113	9,784
	337,641	256,970

Other Long Term Receivables	31 December 2023	31 December 2022
Receivables related to Competition Authority lawsuit (*)	-	176,063
Deposits given	161,914	169,970
	161,914	346,033

(*) Pursuant to the Competition Authority's decision dated 7 May 2020 and numbered 20-23/298-M, during the Covid-19 epidemic, it was aimed to examine the pricing behavior of chain markets dealing with retail food and cleaning products and manufacturers and wholesalers, which are their suppliers. As a result of the investigation, in accordance with the Competition Board’s decision dated 28 October 2021 and numbered 21-53/747-360; it has been decided to impose an of TRY 234,752 (TRY 142,470 with purchasing power on the transaction date), at the rate of 1.8% of the annual gross income of the Company, which was gathered by the end of 2020, and the reasoned decision on the subject was notified on 14 January 2022.

The relevant amount was paid within on 11 February 2022 as TRY 176,063 (TRY 106,852 with purchasing power on the transaction date), with a 25% discount on advance payment, without prejudice to all objections and lawsuits. Legal remedies against punishment applied.

It was notified to the Company by the Tax Office that 50% of the administrative fine, that has been paid, was restructured as per the “Law on Restructuring of Receivables and Amending Certain Laws” which was published in the Official Gazette on 12 March 2023 numbered 32130, and it has been decided to refund TRY 73,498 (TRY 53,426 with purchasing power on the transaction date) back to the Company on 6 September 2023 as a result of the refund request made.

The action for the annulment of the administrative fine filed by the Company at the Ankara Administrative Court on 10 March 2022 was waived on 29 May 2023. Thus, the amount paid within the scope of the Competition Authority's decision dated 28 October 2021 and numbered 21-53/747-360 has been finalized as TRY 73,498 (TRY 53,426 with purchasing power on the transaction date).

Since the portion of the total amount of TRY 176,063 (TRY 106,852 with purchasing power on the transaction date) previously accounted as “other long-term receivables” related to the Competition Authority lawsuit has been finalized at TRY 73,498 (TRY 53,426 with purchasing power on the transaction date), the relevant amount has been accounted for under other expenses from operating activities. The refunded amount of TRY 73,498 has been offset against the Company's tax and other legal liabilities incurred during the year of 2023.

The Company’s exposure to liquidity and foreign currency risk for other receivables are disclosed in Note 28.

Other Short Term Payables	31 December 2023	31 December 2022
Taxes payables	99,407	87,829
Advances and deposits received	32,238	16,505
	131,645	104,334
Due to related parties (Not 27)	75,371	68,417
	207,016	172,751

The Company’s exposure to liquidity and foreign currency risk for other payables are disclosed in Note 28.

(In thousands of Turkish Lira ("TRY") expressed in 31 December 2023 purchasing power, unless otherwise stated)

7. INVENTORIES

	31 December 2023	31 December 2022
Trade goods	5,486,680	4,956,690
Impairment of inventories	(50,826)	(46,905)
	5,435,854	4,909,785

The movements of allowance for impairment on inventory for the periods ended 31 December 2023 and 2022 are below:

	31 December 2023	31 December 2022
Opening balance	46,905	52,841
Charge of the period	33,664	17,340
Current year reversal	(1,289)	(2,836)
Inflation Impact	(28,454)	(20,440)
Closing balance	50,826	46,905

Allowance for impairment on inventory for the years ended 31 December 2023 and 2022 is recognized in cost of sales (Note 18). As of 31 December 2023, cost of inventory recognized in income statement is TRY 35,217,219 (31 December 2022: TRY 29,308,332) (Note 18).

8. PREPAID EXPENSES

Short Term Prepaid Expenses	31 December 2023	31 December 2022
Prepaid expenses (*)	126,809	92,140
Advances given	51,106	85,902
Prepaid taxes and dues	842	1,558
	178,757	179,600
Prepaid expenses to related parties (Note 27)	35,503	37,892
Prepaid expenses	214,260	217,492

Long Term Prepaid Expenses	31 December 2023	31 December 2022
Prepaid expenses	3,410	3,101
Advances given for tangible assets	1,782	2,936
	5,192	6,037

(*) Prepaid expenses comprise of prepaid rent, insurance and maintenance expenses.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

9. RIGHT OF USE ASSETS

	Buildings	Vehicles	Total
Cost			
Opening balance at 1 January 2023	7,112,620	83,197	7,195,817
Additions	1,744,833	45,029	1,789,862
Impairment	(34,811)	-	(34,811)
Disposal	(109,320)	-	(109,320)
Closing balance, 31 December 2023	8,713,322	128,226	8,841,548
Accumulated depreciation			
Opening balance at 1 January 2023	(3,538,915)	(83,197)	(3,622,112)
Charge for the period	(1,244,353)	(45,029)	(1,289,382)
Impairment	11,985	-	11,985
Disposal	48,840	-	48,840
Closing balance, 31 December 2023	(4,722,443)	(128,226)	(4,850,669)
Net book value, 31 December 2023	**3,990,879**	**-**	**3,990,879**

	Buildings	Vehicles	Total
Cost			
Opening balance at 1 January 2022	6,059,305	58,131	6,117,436
Additions	1,200,880	51,889	1,252,769
Disposal	(147,565)	(26,823)	(174,388)
Closing balance, 31 December 2022	7,112,620	83,197	7,195,817
Accumulated depreciation			
Opening balance at 1 January 2022	(2,567,694)	(58,131)	(2,625,825)
Charge for the period	(1,026,974)	(27,368)	(1,054,342)
Disposal	55,753	2,302	58,055
Closing balance, 31 December 2022	(3,538,915)	(83,197)	(3,622,112)
Net book value, 31 December 2022	**3,573,705**	**-**	**3,573,705**

As of 31 December 2023, depreciation expenses arising from right-of-use assets amounting TRY 1,196,999 is included in marketing expenses (31 December 2022: TRY 991,678) and TRY 92,383 is included in general administrative expenses (31 December 2022: TRY 62,664).

The Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

As of 31 December 2023, prepaid rent expenses amounting to TRY 15,882 have been recognized in the right of use assets of the Company (31 December 2022: TRY 14,145).

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost				
Opening balance at 1 January 2023	8,061,450	1,881,671	48,752	9,991,873
Additions	786,374	809	74,954	862,137
Transfers (Note 11)	46,885	-	(48,727)	(1,842)
Impairment	(52,818)	(26,199)	-	(79,017)
Disposals (*)	(530,391)	(67,919)	-	(598,310)
Closing balance, 31 December 2023	8,311,500	1,788,362	74,979	10,174,841
Accumulated depreciation				
Opening balance at 1 January 2023	(6,154,611)	(962,379)	-	(7,116,990)
Depreciation charge of the period	(611,648)	(51,062)	-	(662,710)
Impairment	38,443	16,844	-	55,287
Disposals (*)	504,589	26,026	-	530,615
Closing balance, 31 December 2023	(6,223,227)	(970,571)	-	(7,193,798)
Net book value, 31 December 2023	**2,088,273**	**817,791**	**74,979**	**2,981,043**

As of 31 December 2023, depreciation expenses arising from property, plant and equipment amounting TRY 578,400 is included in marketing expenses (31 December 2022: TRY 584,732) and TRY 84,310 is included in general administrative expenses (31 December 2022: TRY 54,696).

(*) It includes the disposals of the stores that were closed during the period.

As of 31 December 2023, total insurance amount over property, plant and equipment is TRY 5,042,532 (31 December 2022: TRY 3,106,272). As of 31 December 2023 and 31 December 2022 there is no mortgage on property, plant and equipment.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost					
Opening balance at 1 January 2022	321,289	7,653,296	1,850,628	29,316	9,854,529
Additions	-	624,831	55,102	47,588	727,521
Transfers (Note 11)	-	27,625	-	(28,119)	(494)
Impairments cancelled	-	3,449	-	-	3,449
Disposals (*)	(321,289)	(247,751)	(24,059)	(33)	(593,132)
Closing balance, 31 December 2022	-	8,061,450	1,881,671	48,752	9,991,873
Accumulated depreciation					
Opening balance at 1 January 2022	-	(5,790,880)	(914,125)	-	(6,705,005)
Depreciation charge of the period	-	(572,762)	(66,666)	-	(639,428)
Impairments cancelled	-	(1,868)	-	-	(1,868)
Disposals (*)	-	210,899	18,412	-	229,311
Closing balance, 31 December 2022	-	(6,154,611)	(962,379)	-	(7,116,990)
Net book value, 31 December 2022	**-**	**1,906,839**	**919,292**	**48,752**	**2,874,883**
	-	**1,906,839**	**919,292**	**48,752**	**2,874,883**

(*) The Company sold its real estate in Antalya on 15 March 2022. It also includes the disposals of the stores that were closed during the period.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

11. INTANGIBLE ASSETS

Intangible Assets

Cost	**Total**
Opening balance, 1 January 2023	1,589,236
Additions	179,283
Transfers (Note 10)	1,842
Impairment	(368)
Disposals	(13,138)
Closing balance, 31 December 2023	1,756,855
Accumulated amortization	
Opening balance, 1 January 2023	(1,345,525)
Charge for the period	(147,193)
Impairment	354
Disposals	13,103
Closing balance, 31 December 2023	(1,479,261)
Net book value, 31 December 2023	**277,594**

Cost	**Total**
Opening balance, 1 January 2022	1,455,384
Additions	143,115
Transfers (Note 10)	494
Disposals	(9,757)
Closing balance, 31 December 2022	1,589,236
Accumulated amortization	
Opening balance, 1 January 2022	(1,231,208)
Charge for the period	(123,473)
Disposals	9,156
Closing balance, 31 December 2022	(1,345,525)
Net book value, 31 December 2022	**243,711**

As of 31 December 2023, amortization expenses arising from intangible assets amounting TRY 34,191 is included in marketing expenses (31 December 2022: TRY 37,938) and TRY 113,002 is included in general administrative expenses (31 December 2022: TRY 85,535).

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

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

12. GOODWILL AND BUSINESS COMBINATIONS

Goodwill amount is consisted of following investments:

Investments:	31 December 2023	31 December 2022
Gima	1,940,455	2,146,174
Kiler Alışveriş	830,659	879,557
Alpark	242,956	242,956
	3,014,070	3,268,687

As a result of the impairment analysis on the goodwill amounts as of 31 December 2023, the Company identified and recognized impairment amounting to TRY 257,617 (31 December 2022: None).

The movements of allowance for impairment on goodwill the periods ended 31 December 2023 and 2022 are below:

	31 December 2023	31 December 2022
Opening balance at 1 January	3,268,687	3,268,687
Charge for the period (Note 21)	(254,617)	-
Closing balance at 31 December	3,014,070	3,268,687

Impairment losses for the year ending 31 December 2023 are included in the profit or loss statement under other expenses from operating activities.

The Company performed the impairment analysis by using “income approach method (discounted cash flow method)”.

The significant assumptions used in the calculation of the recoverable amounts are discount rates and final growth rates (note 2.6.1).

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

13. SHORT AND LONG TERM PROVISIONS

Short term provisions as of 31 December 2023 and 2022 are as follows:

Short Term Provisions	31 December 2023	31 December 2022
Provision for risks and litigations	75,557	77,964
Provision for personnel and social security	33,658	48,185
	109,215	126,149

The movement of short term provisions for the years ending on 31 December 2023 and 2022 is as follows:

	Provision for risks and litigations	Provision for personnel and social security	Total
Opening balance, 1 January 2023	77,964	48,185	126,149
Charge of the period	32,040	17,235	49,275
Current year reversal	(3,799)	(12,820)	(16,619)
Inflation impact	(30,648)	(18,942)	(49,590)
Closing balance, 31 December 2023	75,557	33,658	109,215

	Provision for risks and litigations	Provision for personnel and social security	Total
Opening balance, 1 January 2022	109,121	64,350	173,471
Charge of the period	20,575	12,859	33,434
Current year reversal	(9,039)	(3,847)	(12,886)
Inflation impact	(42,693)	(25,177)	(67,870)
Closing balance, 31 December 2022	77,964	48,185	126,149

Contingent Liabilities

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

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

13. SHORT AND LONG TERM PROVISIONS (Continued)

Provisions for employment benefits as of 31 December 2023 and 2022 are as follows:

Short Term Employment Benefits	31 December 2023	31 December 2022
Unused vacation provision	12,354	9,440
	12,354	9,440

Long Term Employment Benefits	31 December 2023	31 December 2022
Employment termination benefit provision	497,110	655,790
	497,110	655,790

Movement for employment termination benefit provision for the periods ending 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Opening balance, 1 January	655,790	341,748
Service cost	154,286	42,579
Interest cost	41,837	44,787
Actuarial (gain) / loss	278,051	450,630
Paid compensation during the year	(262,068)	(48,031)
Inflation impact	(370,786)	(175,923)
Closing balance, 31 December	497,110	655,790

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

14. COMMITMENTS

Collateral, pledge, mortgage and warranty position

Collaterals, pledges, mortgages and warranties ("CPMW") position of the Company as at 31 December 2023 and 2022 are as follows:

GPMW given by the Group	31 December 2023	31 December 2022
A. GPMW given on behalf of its own legal entity	-	-
B. GPMW given on behalf of consolidated subsidiaries	-	-
C. Total amount of GPMW given on behalf of other third parties' debt	-	-
D. Other GPMW	-	-
i. Total amount of GPMW given on behalf of the Parent	-	-
ii. Total amount of GPMW given on behalf of other group companies not covered in B and C	-	-
iii. Total amount of GPMW given on behalf of third parties not covered in C	-	-
	-	-

31 December 2023	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	-	-	-	-
	-	-	-	-

31 December 2022	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	-	-	-	-
	-	-	-	-

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

15. EMPLOYMENT BENEFITS

Employee Benefit Liabilities	31 December 2023	31 December 2022
Personnel salary and premium payables	261,508	54,144
Payables to personnel and Social Security Premiums payable	192,638	159,759
	454,146	213,903

16. DEFERRED INCOME

Company’s deferred income as of 31 December 2023 and 2022 are as follows:

Deferred Income	31 December 2023	31 December 2022
Deferred income	130,961	149,459
Liabilities for shopping cheques	5,650	9,566
	136,611	159,025

17. SHAREHOLDERS’ EQUITY

a) Capital

Shareholder structure as of 31 December 2023 and 2022 is stated below:

Shareholders	(%)	31 December 2023	(%)	31 December 2022
Hacı Ömer Sabancı Holding A.Ş.	57.12	72,988	57.12	72,988
Carrefour Nederland BV	32.16	41,098	32.16	41,098
Shares publicly held and other	10.72	13,688	10.72	13,688
Nominal share capital	100.00	127,774	100.00	127,774

(*) The share capital of the Company as of 31 December 2023 is TRY 127,774 (31 December 2022: TRY 127,774) divided into 12,777,376,572 shares (31 December 2022: 12,777,376,572 shares) each worth 1 Kurus. The registered capital ceiling of the company is TRY 635,000 and the registered capital ceiling permission is valid between 2020/2024 (5 years).

At the Extraordinary General Assembly Meeting held on 19 November 2020, it was decided to reduce issued capital of TRY 700,000 to TRY 104,244 by reducing TRY 595,756, and to simultaneously increase the share capital by TRY 23,530 in cash based on the nominal value of 1 Kuruş to increase the issued share capital to TRY 127,774. The results of the Extraordinary General Assembly Meeting were registered on 23 December 2020 with the document numbered 180917 of the T.R. Istanbul Trade Registry Directorate.

The issued capital, which was previously TRY 700,000, has been decreased to TRY 104,244 by TRY 595,756 in total as a result of offsetting from the fully paid-in capital by crediting TRY 586,161 to the inflation adjustment to share capital account and TRY 9,595 to property, plant and equipment revaluation increases account, and simultaneously with the capital increase amounting to TRY 23,530, the issued capital was increased to TRY 127,774 in cash.

There has not been any cash outflow from the Company due to the capital decrease. As a result of the capital increase a cash inflow of TRY 400,503 was obtained. Transaction cost of TRY 1,018 was incurred for this transaction.

(*) The amounts stated in the above paragraphs are expressed in purchasing power at the transaction date.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

17. SHAREHOLDERS' EQUITY (continued)

a) Capital (continued)

The inflation adjustment on share capital as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Inflation adjustment to share capital	12,722,801	12,722,801
	12,722,801	12,722,801

As of 31 December 2023 and 31 December 2022, capital adjustment differences amounting to TRY 12,722,801 consist of capital adjustment differences resulting from the restatement of the Company's paid-in capital and not deducted from retained losses or added to the capital.

b) Retained Losses

	31 December 2023	31 December 2022
Retained losses	(11,523,982)	(9,872,017)
Transfers	1,160,897	(1,651,965)
	(10,363,085)	(11,523,982)

Differences arising from inflation adjustments, resulting from valuations made within the framework of TFRS principles and were not subject to profit distribution or capital increase as of the report date, were associated with prior years' profits/losses. As of 31 December 2023, retained losses before inflation adjustment are TRY 1,781,836 (31 December 2022: TRY 1,595,004).

c) Resticted Reserves

	31 December 2023	31 December 2022
Legal reserves	116,251	116,251
	116,251	116,251

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.

d) Other Comprehansive Income / Expense not to be Reclassified to Profit or Loss

Remeasurement of Defined Benefit Obligations

As of 31 December 2023, it consists of actuarial losses recognized as other comprehensive income related to employment termination benefit provision amounting to TRY 618,465 (31 December 2022: TRY 409,927).

	31 December 2023	31 December 2022
Actuarial losses	(618,465)	(409,927)
	(618,465)	(409,927)

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

17. SHAREHOLDERS' EQUITY (continued)

e) Additional Information for Capital, Legal Reserves and Other Equity Items

A comparison of the Company's equity items restated for inflation in the financial statements as of 31 December 2023 and the restated amounts in the financial statements prepared in accordance with Law No. 6762 and other legislation are as follows:

31 December 2023	Inflation adjusted amounts in the financial statements prepared in accordance with Law No. 6762 and other legislation	Inflation adjusted amounts in the financial statements prepared in accordance with TAS/TFRS	Differences recognized in retained losses
Inflation Adjustment to Share Capital	15,416,135	12,722,801	2,693,334
Share Issue Premium	6,110,368	1,956,717	4,153,651
Restricted Reserves	245,523	116,251	129,272

18. REVENUE AND COST OF SALES

NET SALES	31 December 2023	31 December 2022
Revenue from retail operations	44,953,595	36,602,905
Loyalty program discounts	(108,873)	(90,436)
Sales returns	(396,925)	(245,568)
Sales discount	(188,599)	(74,018)
Rent income	82,106	80,084
	44,341,304	36,272,967

COST OF SALES	31 December 2023	31 December 2022
Opening balance of inventories	(4,909,785)	(4,685,734)
Purchases	(35,710,913)	(29,517,879)
Change in inventory impairment, net (Note 7)	(32,375)	(14,504)
Closing balance of inventories	5,435,854	4,909,785
	(35,217,219)	(29,308,332)

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

19. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

Operating expenses for the years ended 31 December 2023 and 2022 are as follows:

OPERATING EXPENSES	31 December 2023	31 December 2022
Marketing expenses	(9,082,161)	(7,265,306)
General administrative expenses	(1,247,309)	(902,432)
	(10,329,470)	(8,167,738)

20. EXPENSES BY NATURE

	31 December 2023	31 December 2022
Personnel expenses (*)	(4,770,741)	(3,526,901)
Depreciation and amortization expenses (Note: 9, 10, 11) (**)	(2,099,285)	(1,817,243)
Energy expenses	(846,514)	(793,646)
Rent expenses	(760,407)	(595,283)
Advertising expenses	(372,195)	(220,331)
Outsourced expenses	(243,384)	(180,830)
Information technologies expenses	(227,266)	(207,887)
Repair and maintenance expenses	(144,329)	(117,709)
Consultancy expenses	(148,791)	(89,690)
Stationery consumption expenses	(139,623)	(140,438)
Travel expenses	(76,055)	(54,866)
Insurance expenses	(52,759)	(39,602)
Taxation and other expenses	(24,336)	(19,996)
Decoration material expenses	(23,783)	(25,255)
Independent audit expenses	(3,349)	(1,889)
Communication expenses	(2,135)	(2,333)
Other	(394,518)	(333,839)
	(10,329,470)	(8,167,738)

(*) As of 31 December 2023, personnel expenses included in the marketing expenses is TRY 4,220,697 (2022: TRY 3,104,174), and the amount within the general administrative expenses is TRY 550,044 (2022: TRY 422,727).

(**) As of 31 December 2023, depreciation and amortization expenses included in the marketing expenses is TRY 1,809,590 (2022: TRY 1,614,348) and the amount within the general administrative expenses is TRY 289,695 (2022: TRY 202,895).

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

21. OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

Other operating income/expenses from main operations for the years ended 31 December 2023 and 2022 are as follows:

Other Operating Income	31 December 2023	31 December 2022
Foreign exchange gain from operational activities	211,004	118,302
Rediscount interest income	112,828	6,812
Franchise management revenues	37,898	17,108
Income from rental agreement termination (*)	3,603	4,975
Concessions for rent payments	107	681
Provisions no longer required (**)	-	4,026
Impairments no longer required	-	1,581
Other income	38,763	35,366
	404,203	188,851

(*) It is the income related to the collection of prepaid rental fees that are expensed for closed stores.

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

Other Operating Expenses (-)	31 December 2023	31 December 2022
Interest expenses from purchases via credit	(1,684,958)	(971,683)
Goodwill impairment (Note 12)	(254,617)	-
Foreign exchange losses from operational activities	(134,150)	(73,565)
Competition Authority fine (Note 6)	(73,498)	-
Impairment provison	(46,570)	-
Provision expenses (*)	(15,800)	(22,743)
Interest expenses from operational activities	(3,475)	(3,072)
Earthquake donation expenses	(2,763)	-
Other expenses and losses	(325,895)	(247,293)
	(2,541,726)	(1,318,356)

(*) Provision expenses are mainly consisting of risk and legal provisions.

22. INCOME FROM INVESTMENT ACTIVITIES

Income from investment activities for the years ended 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Gain on sale of real estate (*)	-	33,667
	-	33,667

The Company management sold its real estate located in Antalya with a price of TRY 170,000 on 15 March 2022 (Selling price is expressed in the purchasing power of the transaction date).

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

23. FINANCE INCOME

Finance income for the years ended 31 December 2023 and 2022 are as follows:

Finance income	31 December 2023	31 December 2022
Interest income	47,846	37,677
	47,846	37,677

24. FINANCE COSTS

Finance costs for the years ended 31 December 2023 and 2022 are as follows:

Finance costs	31 December 2023	31 December 2022
Interest expenses	(709,995)	(652,851)
Interest expenses of lease liabilities	(581,673)	(552,657)
Credit card commision expenses	(125,606)	(56,017)
	(1,417,274)	(1,261,525)

25. TAX ASSETS AND LIABILITIES

Tax Income / (Expense) of the Period	31 December 2023	31 December 2022
Corporate tax expense of the current period	-	-
Deferred tax income / (expense)	289,767	(344,906)
Tax income / (expense) from continuing operations	289,767	(344,906)

Corporate tax:

The Company is subject to tax legislation and practices effective in Turkey. Corporate tax is declared by the evening of the last day of the fourth month following the end of the relevant accounting period and is paid in a single installment until the end of the relevant month. Entities are required to calculate temporary tax at the current rate based on their quartery profits, declare it by the 17th day of the second month following the period, and pay it by the evening of the 17th day. Temporary taxes paid during the year are offset against the corporate tax calculated on the annual corporate tax return of that year. If temporary tax amount remains despite the offset, this amount can be refunded in cash or offset against other financial debts owed to the State.

In Turkey, the corporate tax rate was applied as 20% to the legal tax base, which was calculated by adding non-deductible expenses to and by deducting the exemptions from the the commercial income in accordance with the tax laws as of 31 December 2022. However, Article 32 of the Corporate Tax Law No. 5520, which regulates the corporate tax rate is amended with "Law on the Amendment of Additional Motor Vehicles Tax for Compensation of Economic Losses Caused by the Earthquakes Occurring on 6/2/2023 and Amendments to Some Laws and the Decree Law No. 375", which includes the regulation on increase in corporate tax rate to %25, starting from the declerations that must be submitted as of 1 October 2023, entered into force after being published in the Official Gazette dated 15 July 2023 and numbered 32249. Therefore, the Company used 25% taxation rate for the calculation of current period’s taxation.

Within the scope of this amendment, tax rate used in deferred tax calculation as of 31 December 2023 is %25 (31 December 2022: 20%).

25. TAX ASSETS AND LIABILITIES (Continued)

Corporate tax (continued):

Within the scope of Article 298 of the Tax Procedure Law, the necessary conditions for inflation adjustment on financial statements have been met as of 31 December 31 2021. However, in accordance with the "Law on Amendments to the Tax Procedure Law and the Corporate Tax Law" numbered 7352, which was published in the Official Gazette numbered 31734 dated 29 January 2022, and the provisional Article 33 of the Tax Procedure Law numbered 213:

- Regardless of whether the conditions for inflation adjustment within the scope of Article 298, including temporary tax periods, are met or not, duplicate financial statements will not be subject to inflation adjustment in 2021 and 2022 accounting periods and the 2023 temporary tax periods,

- The financial statements as of 31 December 2023 will be subject to inflation adjustment in a way that will not affect the corporate tax base,

has been ruled.

In accordance with the Tax Procedure Law General Communiqué No. 555 published in the 2nd bis Official Gazette dated 30 December 2023 and numbered 32415 and the 298th bis article of the Tax Procedural Law No. 213, the financial statements of entities operating in Turkey, for the 2023 accounting period, are subject to inflation adjustment. These inflation-adjusted financial statements will be opening balance sheet in the tax returns to be prepared as of 1 January 2024, and inflation effects will not be taken into account in the period tax calculation for 2023.

According to temporary Article 33 of the Tax Procedure Law, the tax effects arising from the inflation adjustment of the financial statements dated 31 December 2023 are included in the deferred tax calculation as of 31 December 2023.

In accordance with the Corporate Tax Law, declared financial losses can be carried forward for a maximum period of five years to offset against future taxable income. Declarations and relevant accounting records can be examined by the tax authorities within five years and tax amounts can be revised.

Dividend payments made to resident joint-stock companies in Turkey, except to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 10% income tax.

Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, income tax is not calculated if the profit is not distributed or added to the capital.

Dividend earnings of corporations from participation in another fully liable corporation are exempt from corporate tax. In addition, 75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are recoginzed in assets at least for two years is exempt from corporate tax. However, according to the amendments with Law numbered 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared starting from 2018. Additionally, with the amendment, as of 15 July 2023, 50% tax exemption for immovable sales profits mentioned in Law No. 5520 has been abolished. However, this exception will be applied as 25% for the sale of immovables before 15 July 2023.

In order to benefit from the exemption, the relevant income should be kept under a fund account in 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.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

25. TAX ASSETS AND LIABILITIES (Continued)

Corporate tax (continued):

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporate tax returns are file within four months 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.

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to a 15% withholding tax until 22 December 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the Presidential Decision No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the withholding tax rate of 15% has been reduced to 10%.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Prevention Agreements are also taken into account. The addition of retained earnings to the capital is not considered a profit distribution, therefore it is not subject to withholding tax.

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered a non-deductible expense for corporate tax.

As of 31 December 2023 and 2022, the Company has no tax liability for the period.

Tax income / (expense) for the years ended 31 December are as follows:

	31 December 2023	31 December 2022
Deferred tax income / (expense)		
Deferred tax income / (expense) arising from temporary differences	256,127	(164,525)
Deferred tax from prior year losses	33,640	(180,381)
Tax income / (expense) recognized in profit or loss	**289,767**	**(344,906)**
Tax income / (expense) recognized in other comprehensive income	69,513	90,126
Total tax income / (expense)	**359,280**	**(254,780)**

Deferred Tax Assets and Liabilities

Deferred tax is calculated on the temporary differences arising between the carrying values of assets and liabilities in the accompanying financial statements and values used in tax base, except for goodwill that is not subject to tax deductions, and first-time asset and liability differences that are not subject to accounting and taxation.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

25. TAX ASSETS AND LIABILITIES (Continued)

Deferred Tax Assets and Liabilities (continued)

As of 31 December 2023 and 2022, items attributed to deferred tax assets and deferred tax liabilities consist of the following:

The basis for deferred tax timing differences:	31 December 2023	31 December 2022
Provision for contingencies	186,055	185,242
Provision for impairment in fixed assets	23,743	-
Inventory valuation differences	127,615	(71,260)
Other current assets	217,227	(190,359)
Provision for employment termination benefit	497,110	655,790
Tangible and intangible assets	35,237	(1,799,413)
Right of use assets	(3,990,879)	(3,587,851)
Other short term liabilities	231,572	434,511
Lease liabilities	2,265,304	2,252,211
Prior year losses	962,307	1,034,687
Other	16,161	4,360
	571,452	(1,082,082)

Deferred tax assets / (liabilities) :	31 December 2023	31 December 2022
Provision for contingencies	46,514	37,048
Provision for impairment in fixed assets	5,936	-
Inventory valuation differences	31,904	(14,252)
Other current assets	54,307	(38,072)
Provision for employment termination benefit	124,278	131,158
Tangible and intangible assets	8,809	(359,883)
Right of use assets	(997,720)	(717,570)
Other short term liabilities	57,893	86,902
Lease liabilities	566,326	450,442
Prior year losses	240,577	206,937
Other	4,040	874
	142,864	(216,416)

Carry forward tax losses

According to the Tax Procedure Law, financial losses can be carried for a maximum of five years. Accordingly, the last year that unused financial losses can be recognized is 2028. The Company management has evaluated that it is probable that there will be sufficient taxable profit in the future depending on the expected operational performance improvement in the following years, and accordingly, deferred tax assets arising from unused financial losses amounting to TRY 240,577 (31 December 2022: TRY 206,937) are recognized in the financial statements.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

25. TAX ASSETS AND LIABILITIES (Continued)

The expiry dates of the Company's available financial losses on which deferred tax asset is recognized are as follows:

	31 December 2023	31 December 2022
2024	182,259	424,679
2025	154,997	255,393
2026	213,633	354,615
2028	411,418	-
	962,307	1,034,687

The movements of deferred tax assets / liabilities as of 31 December 2023 and 2022 are as follows:

Movement of deferred tax asset:	31 December 2023	31 December 2022
Openning balance at 1 January	(216,416)	38,364
Current year income	289,767	(344,906)
Tax income attributable to equity	69,513	90,126
Closing balance at 31 December	142,864	(216,416)

Tax reconciliation	31 December 2023	31 December 2022
Profit before tax	914,429	1,505,803
Effective tax rate	25%	23%
Calculated tax	(228,607)	(346,335)
Disallowable expenses	(41,816)	(25,744)
Exemptions and discounts	-	28,601
Permenant differences not subject to deferred tax calculation	248,904	244,967
Deferred tax asset calculated over previous year tax losses used / (cancelled) in the current period	-	28,844
Effect of change in tax rate	-	(63,503)
Deferred tax effect of temporary differences arising from inflation accounting in accordance with tax procedure law	700,393	-
Inflation and other effects	(389,107)	(211,736)
	289,767	(344,906)

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

26. EARNINGS PER SHARE

Weighted average number of shares and basic earnings per share for the years ended 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Opening, number of shares (Note 17)	12,777,376,572	12,777,376,572
Share disposal due to share capital decrease	-	-
Share addition due to share capital increase	-	-
Closing, number of shares (total) (Note 17)	12,777,376,572	12,777,376,572
Weighted average number of shares	12,777,376,572	12,777,376,572
Net profit for the period (TRY)	1,204,196	1,160,897
Profit per share (Kr)	0.0942	0.0909
Profit per share (TRY)	9.4244	9.0856

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Transactions with related parties are classified according to the following groups and include all related party disclosures in this note:

(1) Hacı Ömer Sabancı Holding A.Ş. ve group companies

(2) Carrefour Nederland BV ve group companies

Cash and cash equivalents (Note 3)	31 December 2023	31 December 2022
Akbank T.A.Ş.	422,927	386,590
	422,927	386,590

Trade receivables from related parties (Note 5)	31 December 2023	31 December 2022
Majid Al Futtaim Hypermarkets Llc U	29,384	1,129
Carrefour World Trade	26,509	22,310
Akçansa Çimento Sanayi ve Ticaret A.Ş.	9,253	7,533
Temsa Skoda Ulaşım Araçları A.Ş.	1,547	-
Carrefour Global Sourcing Asia	302	143
Carrefour Polska Sp. z o. o.	264	13
Akbank T.A.Ş.	156	163
Agesa Emeklilik ve Hayat A.Ş.	102	287
Ak Finansal Kiralama A.Ş.	36	61
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	9	-
Teknosa İç ve Dış Ticaret A.Ş.	-	92
Other	416	116
	67,978	31,847

Financial Liabilities (Note 4)	31 December 2023	31 December 2022
Akbank T.A.Ş.	51,689	165,767
	51,689	165,767

Trade payables to related parties (Note 5)	31 December 2023	31 December 2022
Akbank T.A.Ş.	134,563	-
Sabancı Dijital Teknoloji Hizmetler A.Ş.	35,872	34,210
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	11,305	7,390
Aksigorta A.Ş.	5,406	3
Teknosa İç ve Dış Ticaret A.Ş.	3,687	38,565
Carrefour Hypermarches SAS	190	313
Agesa Emeklilik ve Hayat A.Ş.	3	198
Other	50	63
	191,076	80,742

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other short term payables to related parties (Note 6)	31 December 2023	31 December 2022
Hacı Ömer Sabancı Holding A.Ş.	47,745	42,333
Carrefour Partenariat International	27,626	26,084
	75,371	68,417

Receivables from and payables to related parties arise from mutual sales of goods and services. The Company has not given any collateral for borrowings to related parties. As of 31 December 2023, the maturity of the loan received from Akbank T.A.Ş. is 23 February 2024 and the interest rate is 32% (2022: The maturity of the loan is 20 March 2023 and the interest rate is 19.75%).

Prepaid Expenses (Note 8)	31 December 2023	31 December 2022
Sabancı Dijital Teknoloji Hizmetler A.Ş.	27,126	29,809
Aksigorta A.Ş.	8,346	7,103
Akbank T.A.Ş.	31	980
	35,503	37,892

Purchases from related parties (goods)	31 December 2023	31 December 2022
Teknosa İç ve Dış Ticaret A.Ş.	62,515	105,486
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş. (*)	-	11,790
	62,515	117,276
Purchases from related parties (services)		
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	249,804	510,072
Aksigorta A.Ş.	51,128	39,560
Sabancı Dijital Teknoloji Hizmetler A.Ş.	47,837	65,382
Teknosa İç ve Dış Ticaret A.Ş.	718	-
Other	-	92
	349,487	615,106
Rent income from related parties		
Teknosa İç ve Dış Ticaret A.Ş.	5,795	5,824
Akbank T.A.Ş.	2,616	2,383
Eşarj Elektrikli Araçlar Şarj Sistemleri A.Ş.	165	-
	8,576	8,207

(*) Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Ticaret A.Ş. is a related party until 5 January 2022 and is not considered as a related party after this date.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other income from related parties	31 December 2023	31 December 2022
Carrefour World Trade	167,030	128,935
Majid Al Futtaim Hypermarkets Llc U	87,424	1,320
Hacı Ömer Sabancı Holding A.Ş.	20,552	4,485
Akçansa Çimento Sanayi ve Ticaret A.Ş.	18,434	13,940
Teknosa İç ve Dış Ticaret A.Ş.	14,311	17,614
Akbank T.A.Ş.	8,255	12,216
Carrefour Polska Sp. z o. o.	6,493	9,290
Agesa Emeklilik ve Hayat A.Ş.	4,858	1,831
Aksigorta A.Ş.	4,096	1,479
Kordsa Teknik Tekstil A.Ş.	4,061	938
Temsa Skoda Sabancı Ulaşım Araçları A.Ş.	3,528	801
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	3,243	6
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	2,717	2,069
Sabancı Dijital Teknoloji Hizmetler A.Ş.	2,606	2,340
Carrefour Global Sourcing Asia	2,199	1,793
Afyon Çimento Sanayii Türk A.Ş.	1,996	-
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	1,603	501
Çimsa Çimento Sanayi ve Ticaret A.Ş.	1,196	728
Ak Yatırım Menkul Değerler A.Ş.	957	94
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	244	6
Other	2,077	836
	357,880	201,222

Other expenses to related parties	31 December 2023	31 December 2022
Hacı Ömer Sabancı Holding A.Ş.	157,736	129,834
Carrefour Partenariat International	124,437	92,342
Sabancı Dijital Teknoloji Hizmetler A.Ş.	-	21
Other	152	52
	282,325	222,249

Interest income from related parties	31 December 2023	31 December 2022
Akbank T.A.Ş.	398	18,624
Interest expense and credit card commission to related parties		
Akbank T.A.Ş.	87,411	67,567

The details of remuneration and similar benefits provided to senior management in the current period are as follows:

	31 December 2023	31 December 2022
Salaries and other short term benefits	52,510	33,429
Other long term benefits	2,956	2,936
	55,466	36,365

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Company manages its capital to ensure the continuity of its activities while maximizing its profit through the optimization of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 4, cash and cash equivalents disclosed in Note 3 and equity comprising issued capital, reserves and retained earnings as disclosed in Note 17.

The Board of Directors of the Company examines the capital structure and indebtedness four times a year. During the examinations the Board, together with cost of capital, evaluates all the risks associated with capital owning-class. Based on the recommendations of the Board, the Company tries to balance the capital structure by acquiring new debt or paying back the current debt.

The Company controls its capital with the liability / share capital ratio. Net liability is divided by share capital in this ratio. Cash and cash equivalents are deducted from total loans (including financial debt and liabilities and finance lease payables as presented in the balance sheet) to calculate the net liability.

Net liability / share capital ratio as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Total financial liabilities	1,524,391	1,828,874
Total lease liabilities	2,265,305	2,252,212
Less: Cash and cash equivalents	(1,706,397)	(1,965,009)
Net liabilities	2,083,299	2,116,077
Total share capital	127,774	127,774
Net liabilities / share capital ratio	1630.46%	1656.11%

The Company’s overall strategy is not changed significantly in the current period.

Financial Risk Factors

The Company’s corporate treasury department, besides providing services for operations, also coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk) credit risk, liquidity risk and cash flow interest rate risk.

The Company has used derivative financial instruments in the previous years in order to reduce the effects of these risks and to hedge against them, and has not used such instruments in the current period. Derivative financial instruments that were used are determined through Company policies approved by the Board of Directors, and if derivative use will be required again, appropriate products will be submitted to the approval of the Board of Directors. The policies include both interest rate risks and foreign exchange risks. The Company does not enter into or trade financial instruments for speculative purpose and this kind of trading is forbidden by the Company’s main shareholders.

The treasury department presents the risk factors and the related risk reducing policies in the monthly reports prepared for the main shareholders and to the Board of Directors in case of their demand.

Credit risk management

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Since the Company’s customers are real consumer-level customers, there is not any credit risk arising from sales to customers.

The risks raised from the advances and deposits given by the Company in order to make investments, is under control by taking letter of guarantees from various banks. Based on the Company policy, the Company does not pay any advance or deposits without taking a letter of guarantee from counterparty.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

Maximum exposure to credit risk by types of financial instruments	Receivables				
	Trade Receivables		Other Receivables		
31 December 2023	Related Party	Third Party	Related Party	Third Party	Bank Deposits and Credit Card Receivables
Maximum net credit risk as of balance sheet date (i)	67,978	1,003,136	-	499,555	1,595,970
- The part of maximum risk under guarantee with collateral etc. (ii)	-	746,545	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	67,978	843,532 -	-	499,555	1,595,970
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	159,604	-	-	-
- The part under guarantee with collateral etc.	-	331,616	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	23,678	-	-	-
- Impairment (-)	-	(23,678)	-	-	-
- The part of net value under guarantee with collateral etc.	-	735	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(i) Guarantees received and factors increasing loan reliability are not considered in determining this amount.
(ii) Guarantees consist of letters of guarantee, notes receivable, cheques and mortgage obtained from customers.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

Maximum exposure to credit risk by types of financial instruments	**Receivables**				
	Trade Receivables		**Other Receivables**		
31 December 2022	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits and Credit Card Receivables**
Maximum net credit risk as of balance sheet date (i)	31,847	651,064	-	603,003	1,849,610
- The part of maximum risk under guarantee with collateral etc. (ii)	-	422,290	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	31,847	547,478	-	603,003	1,849,610
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	103,586	-	-	-
- The part under guarantee with collateral etc.	-	215,228	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	40,559	-	-	-
- Impairment (-)	-	(40,559)	-	-	-
- The part of net value under guarantee with collateral etc.	-	1,354	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(i) Guarantees received and factors increasing loan reliability are not considered in determining this amount.
(ii) Guarantees consist of letters of guarantee, notes receivable, cheques and mortgage obtained from customers.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk Management (Continued)

	Receivables	
31 December 2023	**Trade receivables**	**Other receivables**
Past due 1-30 days	36,258	-
Past due 1-3 months	9,285	-
Past due 3-12 months	89,465	-
Past due 1-5 years	24,596	-
Past due more than 5 years	-	-
Total past due receivables	159,604	-

	Receivables	
31 December 2022	**Trade Receivables**	**Other Receivables**
Past due 1-30 days	23,533	-
Past due 1-3 months	6,026	-
Past due 3-12 months	58,064	-
Past due 1-5 years	15,963	-
Past due more than 5 years	-	-
Total past due receivables	103,586	-

The Company management is expecting that the overdue receivables for which a provision was not booked, will be collected.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves and banking and borrowing facilities by continuously monitoring estimated and actual cash flows and matching the maturity profiles of financial assets and liabilities.

<u>Liquidity risk tables</u>

The following table presents the maturity distribution of the Company's non-derivative financial liabilities and has been prepared without discounting the Company's liabilities and on the basis of the earliest due dates.

The Company’s expected due dates and contract due dates and are the same.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2023

Terms in accordance with the contract	Book value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	1,524,391	1,694,478	881,994	812,484	-	-
Financial lease liabilities	2,265,305	4,048,033	271,130	644,679	2,159,812	972,412
Trade payables	8,973,082	9,097,523	9,066,407	31,116	-	-
Other payables and liabilities (i)	220,419	220,419	220,419	-	-	-
Total liabilities	12,983,197	15,060,453	10,439,950	1,488,279	2,159,812	972,412

31 December 2022

Terms in accordance with the contract	Book value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	1,828,874	1,905,415	1,048,363	857,052	-	-
Financial lease liabilities	2,252,212	4,062,807	256,616	622,797	2,192,682	990,712
Trade payables	8,547,678	8,590,180	8,411,541	178,639	-	-
Other payables and liabilities (i)	185,205	185,205	185,205	-	-	-
Total liabilities	12,813,969	14,743,607	9,901,725	1,658,488	2,192,682	990,712

(i) Provisions are not included in other payables and liabilities.

Market risk management

Market risk is measured based on sensitivity analysis.

In current year, the Company’s market risk management method or its market risk exposure have not changed significantly compared to prior year.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management

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

	31 December 2023		
	TRY Equivalents (Functional currency)	USD	EUR
1. Trade receivables	136,838	2,632	1,822
2. Liquid assets	245,683	4,033	3,897
3. CURRENT ASSETS (1+2)	382,521	6,665	5,719
4. Other	159,435	4,531	800
5. NON-CURRENT ASSETS	159,435	4,531	800
6. TOTAL ASSETS (3+5)	541,956	11,196	6,519
7. Trade payables	119,247	3,781	237
8. Other payables	27,626	-	847
9. Financial liabilities	-	-	-
10. Non-monetary other liabilities	20,403	636	50
11. CURRENT LIABILITIES (7+8+9+10)	167,276	4,417	1,134
12. Financial liabilities	66,513	-	2,038
13. NON-CURRENT LIABILITIES	66,513	-	2,038
14. TOTAL LIABILITIES (11+13)	233,789	4,417	3,172
15. Net foreign currency position (6-14)	308,167	6,779	3,347
16. Net monetary foreign currency position (6-14-10)	287,764	6,143	3,297

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

	31 December 2022		
	TRY Equivalents (Functional currency)	USD	EUR
1. Trade receivables	101,749	2,025	1,198
2. Liquid assets	85,784	83	2,533
3. CURRENT ASSETS (1+2)	187,533	2,108	3,731
4. Other	165,880	4,531	800
5. NON-CURRENT ASSETS	165,880	4,531	800
6. TOTAL ASSETS (3+5)	353,413	6,639	4,531
7. Trade payables	107,022	3,087	356
8. Other payables	26,084	-	793
9. Financial liabilities	-	-	-
10. Non-monetary other liabilities	9,745	266	46
11. CURRENT LIABILITIES (7+8+9+10)	142,851	3,353	1,195
12. Financial liabilities	71,210	-	2,164
13. NON-CURRENT LIABILITIES	71,210	-	2,164
14. TOTAL LIABILITIES (11+13)	214,061	3,353	3,359
15. Net foreign currency position (6-14)	139,352	3,286	1,172
16. Net monetary foreign currency position (6-14-10)	129,607	3,020	1,126

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising primarily from USD and EUR. The following table demonstrates the sensitivity of the Company to a possible change of 10% in US dollar and EUR rates. 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.

31 December 2023

	Income / Expense	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation of USD against TRY		
1 - US Dollar net asset / liability	19,932 -	(19,932)
2- Part of hedged from US Dollar risk (-)	- -	-
3- US Dollar net effect (1 +2)	**19,932**	**(19,932)**
In case of 10% appreciation of EUR against TRY		
4 - Euro net asset / liability	10,885 -	(10,885)
5 - Part of hedged from Euro risk (-)	- -	-
6- Euro net effect (4 +5)	**10,885**	**(10,885)**
TOTAL (3 + 6)	**30,817**	**(30,817)**

31 December 2022

	Income / Expense	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation of USD against TRY		
1 - US Dollar net asset / liability	10,104 -	(10,104)
2- Part of hedged from US Dollar risk (-)	- -	-
3- US Dollar net effect (1 +2)	**10,104**	**(10,104)**
In case of 10% appreciation of EUR against TRY		
4 - Euro net asset / liability	3,831 -	(3,831)
5 - Part of hedged from Euro risk (-)	- -	-
6- Euro net effect (4 +5)	**3,831**	**(3,831)**
TOTAL (3 + 6)	**13,935**	**(13,935)**

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Market risk management

The interest rates that the Company is exposed to, regarding its financial liabilities, are given in detail in Note 4.

Interest rate sensitivity

Sensitivity analysis is determined based on the interest rate risk exposed to on the balance sheet date and the anticipated interest rate change at the beginning of the financial year and kept fixed during the reporting period.

As of 31 December 2023 and 31 December 2022, the Company has loan agreements with variable interest rates.

The Company does not have any interest rate swap contract.

The financial instruments that are sensitive to interest rate are as follows:

Interest Position Table

Instruments with Fixed Rates	**31 December 2023**	**31 December 2022**
Financial lease payables	2,265,305	2,252,212
Bank loans	534,634	1,645,664
Sukuk issuance	482,802	-
Instruments with Variable Rates		
Bank loans	288,170	183,210
Sensitivity to 1% change in interest	2,882	1,832

Other price risks

The Company does not have any investments or liabilities that may be exposed to price volatility such as shares/bonds etc.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

29. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

31 December 2023	Financial assets at amortized cost	Financial liabilities at amortized cost	Net book value	Note
Financial assets				
Cash and cash equivalents	1,706,397	-	1,706,397	(3)
Trade receivables	1,003,136	-	1,003,136	(5)
Due from related parties	67,978	-	67,978	(27)
Other receivables	499,555	-	499,555	(6)
Financial liabilities				
Borrowings	-	1,524,391	1,524,391	(4)
Financial lease payables	-	2,265,305	2,265,305	(4)
Trade payables	-	8,782,006	8,782,006	(5)
Due to related parties	-	266,447	266,447	(27)
Other liabilities (*)	-	281,659	281,659	

31 December 2022	Financial assets at amortized cost	Financial liabilities at amortized cost	Net book value	Note
Financial assets				
Cash and cash equivalents	1,965,009	-	1,965,009	(3)
Trade receivables	651,064	-	651,064	(5)
Due from related parties	31,847	-	31,847	(27)
Other receivables	603,003	-	603,003	(6)
Financial liabilities				
Borrowings	-	1,828,874	1,828,874	(4)
Financial lease payables	-	2,252,212	2,252,212	(4)
Trade payables	-	8,466,936	8,466,936	(5)
Due to related parties	-	149,159	149,159	(27)
Other liabilities (*)	-	275,813	275,813	

(*) Provisions are not included.

(In thousands of Turkish Lira (”TRY”) expressed in 31 December 2023 purchasing power, unless otherwise stated)

29. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING) (Continued)

Fair value

The methods and assumptions used to estimate the fair value of financial assets and liabilities are as follows:

Financial assets

Certain financial assets, including cash and cash equivalents, are recognized with their cost values and it is estimated that their carrying values are approximately equal to their fair values due to their short-term nature.

It is estimated that the carrying values of trade receivables, together with the related doubtful receivables provisions, reflect their fair value.

Financial liabilities

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

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

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

Classification regarding fair value measurement

“TFRS 7 – Financial Instruments: Disclosure” standard requires that the financial instruments measured at their fair values in the financial statements should be classified and presented in a hierarchy that reflects the importance of the data used in determining the fair value. 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 Company using market inputs derived from independent sources and unobservable inputs mean that the Company 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).

30. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR / INDEPENDENT AUDIT COMPANY

The Company's explanation regarding the fees for the services rendered by the independent audit firm, which is prepared based on the POA’s Board Decision published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the letter of POA dated 19 August 2021 are as follows:

	31 December 2023	31 December 2022
Independent audit fee for the reporting period	3,313	1,875
Fees for tax consultancy services	-	-
Fee for other assurance services	36	14
Fee for services other than independent audit	-	-
	3,349	1,889

31. EVENTS AFTER THE BALANCE SHEET DATE

None.