

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

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

(ORIGINALLY ISSUED IN TURKISH)

10 August 2020

This report contains 2 pages of the independent auditors' report and 43 pages of consolidated interim financial statements and notes..



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

Introduction

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

Scope of Review

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



Emphasis of matter

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

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

In this context, the Board of Directors of the Company, has started to work for evaluation of alternatives for relevant solutions, including simultaneous capital increase and reduction in accordance with the Communiqué.

Conclusion

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

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

ORIGINALLY SIGNED IN TURKISH

Ruşen Fikret Selamet, SMMM
Partner
10 August 2020
İstanbul, Turkey

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

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

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

	Notes	30 June 2020	31 December 2019
ASSETS			
Current Assets		1,554,670,023	1,400,458,416
Cash and Cash Equivalents	3	506,052,351	506,901,093
Trade Receivables			
Due From Related Parties	5, 24	21,445,881	17,936,009
Other Trade Receivables	5	47,510,972	46,265,435
Other Receivables			
Other Receivables		4,648,876	2,418,943
Inventories	6	894,327,681	787,922,256
Prepaid Expenses		80,684,262	39,014,680
Non-Current Assets		2,335,320,495	2,292,794,050
Other Receivables			
Other Receivables		54,134,963	48,993,673
Property, Plant and Equipment	7	632,188,487	637,778,625
Right of Use Assets	8	801,047,396	794,680,993
Intangible Assets			
Goodwill	10	482,479,139	482,479,139
Other Intangible Assets	9	45,752,188	47,052,947
Prepaid Expenses		9,485,229	11,057,884
Deferred Tax Assets	22	310,233,093	270,750,789
TOTAL ASSETS		3,889,990,518	3,693,252,466

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

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

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

	Notes	30 June 2020	31 December 2019
LIABILITIES			
Current Liabilities		3,534,536,571	2,997,927,139
Short Term Bank Loans			
Short Term Bank Loans from Related Parties	4, 24	689,968,324	529,976,383
Other Short Term Bank Loans	4	613,799,202	467,517,287
Short Term Lease Liabilities			
Short Term Lease Liabilities from Related Parties	4, 24	14,775,140	24,140,310
Short Term Portion of Long Term Finance Lease Liabilities			
Other Short Term Portion of Long Term Lease Liabilities	4	152,996,684	143,003,917
Trade Payables			
Due to Related Parties	5, 24	61,987,458	50,256,501
Other Trade Payables	5	1,668,348,549	1,637,874,070
Employee Benefit Liabilities			
Other Payables	13	128,295,468	22,581,565
Due to Related Parties			
Other Short Term Payables	24	19,281,253	11,383,989
Other Short Term Payables		83,175,826	18,589,397
Short Term Provisions			
Provisions for Employment Benefits	11	12,360,935	10,902,379
Other Short Term Provisions	11	62,672,561	60,438,625
Other Current Liabilities			
	14	26,875,171	21,262,716
Non-Current Liabilities		838,516,153	997,263,609
Long Term Financial Liabilities from Related Parties	4, 24	--	200,000,000
Long Term Finance Lease Liabilities			
Other Long Term Finance Lease Liabilities	4	748,213,557	721,374,883
Long Term Provisions			
Provisions for Employment Termination Benefits	11	90,302,596	75,888,726
EQUITY		(483,062,206)	(301,938,282)
Shareholders' Equity		(483,062,206)	(301,938,282)
Share Capital			
Share Capital	15	700,000,000	700,000,000
Inflation Adjustment to Share Capital			
Inflation Adjustment to Share Capital	15	91,845,783	91,845,783
Share Issue Premium			
Share Issue Premium		34,691,309	34,691,309
Other Comprehensive Income/ Expense			
Not to be Reclassified to Profit or Loss,			
- Actuarial Loss	15	(16,553,327)	(16,553,327)
Restricted Reserves			
Restricted Reserves	15	12,318,358	12,318,358
Retained Losses			
Retained Losses	15	(1,124,240,405)	(781,159,617)
Net Loss for the Period			
		(181,123,924)	(343,080,788)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,889,990,518	3,693,252,466

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE INTERIM SIX MONTH PERIODS ENDED 30 JUNE 2020 AND 2019

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

	Notes	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
CONTINUING OPERATIONS					
Revenue	16	3,625,603,042	1,854,794,285	2,938,016,194	1,561,521,817
Cost of Sales (-)	16	(2,676,536,666)	(1,374,928,614)	(2,127,145,824)	(1,129,402,027)
GROSS PROFIT		949,066,376	479,865,671	810,870,370	432,119,790
Marketing Expenses (-)	17	(801,249,205)	(406,789,740)	(666,737,513)	(341,524,607)
General Administrative Expenses (-)	17	(87,173,553)	(40,836,312)	(85,552,347)	(43,512,560)
Other Income From Main Operations	19	23,064,139	12,008,308	18,418,665	9,209,032
Other Expenses From Main Operations (-)	19	(109,467,852)	(50,997,152)	(142,071,863)	(77,225,062)
OPERATING LOSS FROM MAIN OPERATIONS		(25,760,095)	(6,749,225)	(65,072,688)	(20,933,407)
Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9	5	(240,724)	272,264	(1,124,874)	13,536
OPERATING LOSS		(26,000,819)	(6,476,961)	(66,197,562)	(20,919,871)
Finance Income	20	11,280,347	5,388,854	42,090,168	9,617,895
Finance Costs (-)	21	(205,885,756)	(103,844,531)	(230,256,920)	(116,476,442)
LOSS BEFORE TAX		(220,606,228)	(104,932,638)	(254,364,314)	(127,778,418)
Tax Income		39,482,304	18,903,039	54,543,748	27,618,471
- Taxes on Income	22	-	-	-	-
- Deferred Tax Income	22	39,482,304	18,903,039	54,543,748	27,618,471
NET LOSS FOR THE PERIOD		(181,123,924)	(86,029,599)	(199,820,566)	(100,159,947)
(Loss) / Earnings Per Share	23	(0.2587)	(0.1229)	(0.2855)	(0.1431)

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM SIX MONTH PERIODS ENDED 30 JUNE 2020 AND 2019

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

(Note 15)	Share Capital	Inflation Adjustment to Share Capital	Share Issue Premium	Actuarial Gain / (Loss)	Restricted Reserves	Retained Losses	Net Loss for the Period	Total
Balance at 1 January 2019	700,000,000	91,845,783	34,691,309	(4,446,458)	12,318,358	(769,663,206)	(11,496,411)	53,249,375
Transfers	-	-	-	-	-	(11,496,411)	11,496,411	-
Total Comprehensive Loss	-	-	-	-	-	-	(199,820,566)	(199,820,566)
Balances at 30 June 2019	700,000,000	91,845,783	34,691,309	(4,446,458)	12,318,358	(781,159,617)	(199,820,566)	(146,571,191)
Balance at 1 January 2020	700,000,000	91,845,783	34,691,309	(16,553,327)	12,318,358	(781,159,617)	(343,080,788)	(301,938,282)
Transfers	-	-	-	-	-	(343,080,788)	343,080,788	-
Total Comprehensive Loss	-	-	-	-	-	-	(181,123,924)	(181,123,924)
Balances at 30 June 2020	700,000,000	91,845,783	34,691,309	(16,553,327)	12,318,358	(1,124,240,405)	(181,123,924)	(483,062,206)

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE INTERIM SIX MONTH PERIODS ENDED 30 JUNE 2020 AND 2019

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

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	1 January- 30 June 2020	1 January- 30 June 2019
Net loss for the period		(181,123,924)	(199,820,566)
Adjustments to reconcile net loss for the period		361,680,918	325,787,821
- Depreciation of property, plant and equipment	7	62,216,942	55,042,244
- Amortization of right of use asset	8	105,316,955	94,999,700
- Amortization of intangible assets	9	13,040,569	16,340,898
- Profit / (loss) from the sale of tangible and intangible assets		557,537	(1,205,948)
- Net change in risk, lawsuit, personnel, SSI and other provisions	11	2,233,936	(3,941,380)
- Adjustments to interest income accruals	20	(2,495,345)	(4,348,419)
- Adjustments to interest expense accruals	21	195,804,320	215,776,280
- (Reversal of) impairment provision	7, 9	(656,806)	(93,615)
- Provision for unused vacation pay liability	11	1,458,556	2,775,482
- Provision for employment termination benefit	11	19,515,569	18,716,334
- Allowance for doubtful receivables	5	1,202,707	3,256,077
- Provision for impairment on inventory	6	1,671,848	467,038
- Unrealized foreign exchange loss		1,296,434	(17,453,122)
- Tax income	22	(39,482,304)	(54,543,748)
Changes in working capital		64,511,946	106,333,211
- Increase in trade receivables, including collection from doubtful receivables		(2,448,245)	(12,858,904)
- Increase in inventories		(108,077,273)	(68,594,078)
- Decrease (increase) due from related parties		(3,509,872)	8,187,560
- Increase / (decrease) in other receivables and current assets		(7,371,223)	7,910,498
- Increase in prepaid expenses		(40,096,927)	(12,047,374)
- Increase in other short term payables		64,586,429	19,538,535
- Increase in other trade payables		30,474,479	124,050,411
- Increase in due to related parties		19,628,221	16,683,960
- Increase in employee benefit liabilities		105,713,903	28,759,039
- Increase/(decrease) in other short-term liabilities		5,612,454	(5,296,436)
Cash used in operating activities		245,068,940	232,300,466
- Employee termination benefits paid	11	(5,101,699)	(8,305,120)
Net cash used in operating activities		239,967,241	223,995,346

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE INTERIM SIX MONTH PERIODS ENDED 30 JUNE 2020 AND 2019

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

	Notes	1 January- 30 June 2020	1 January- 30 June 2019
CASH FLOWS FROM INVESTING ACTIVITIES			
- Acquisition of property, plant and equipment	7	(56,950,094)	(51,426,487)
- Acquisition of intangible assets	9	(11,722,734)	(5,040,602)
- Proceeds from sale of tangible and intangible assets		405,483	2,411,938
Net cash used in investing activities		(68,267,345)	(54,055,151)
CASH FLOWS FROM FINANCING ACTIVITIES			
- Proceeds from bank borrowings	4	555,000,000	390,000,000
- Repayment of borrowings		(460,690,714)	(327,130,545)
- Repayment of finance lease payables	4	(189,146,707)	(173,714,186)
- Paid finance costs		(86,656,336)	(98,323,533)
- Finance income	20	2,495,345	4,348,419
Net cash (used in) / generated from financing activities		(178,998,412)	(204,819,845)
Decrease in cash and cash equivalents		(7,298,516)	(34,879,650)
Cash and cash equivalents at the beginning of the year		506,901,093	487,581,005
- The impact of change in foreign currency exchange rate over cash and cash equivalents		6,449,774	7,311,952
Cash and cash equivalents at the end of the period	3	506,052,351	460,013,307

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

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

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

1. ORGANISATION AND NATURE OF OPERATIONS

CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi ("The Company") was established in 1991 to operate in the hypermarket and supermarket sectors in Turkey. The registered address of the Company is Cevizli Mahallesi, Tugay Yolu Caddesi No:67A, B Blok Maltepe / İstanbul. The number of personnel is 11,006 as of 30 June 2020 (31 December 2019: 10,456).

As of 30 June 2020, the Company has 30 hypermarkets and 617 supermarkets (31 December 2019: 30 hypermarkets, 604 supermarkets).

Subsidiary

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

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

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

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

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

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

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the Presentation

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

According to the Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013, the accompanying consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”). TFRS is composed of Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards and its addendum and interpretations issued by POA.

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

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

Approval of condensed consolidated financial statements:

The accompanying condensed consolidated financial statements of the Group has been approved by the Company’s Board of Directors on 10 August 2020. General Assembly and related legal institutions have the right to correct these condensed consolidated financial statements.

(b) Basis of measurement

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

(c) Presentation and functional currency

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

2.2 Financial Reporting in Hyperinflationary Economies

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

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

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

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

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

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

2.4. Offsetting

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

2.5 Changes in Significant Accounting Policies

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

2.6 Significant Accounting Estimates and Assumptions

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

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

2.6.1 Provisions

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

2.6.2 Deferred tax asset

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

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

2.6 Significant Accounting Estimates and Assumptions (continued)

2.6.2 Deferred tax asset (continued)

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

2.6.3 Evaluation of financial position

The Group has recognized TRY 181,123,924 loss as of and for the six-month interim period ended 30 June 2020 and current year loss together with accumulated losses has reached to TRY 1,305,364,329. As of 30 June 2020, the Group's total equity is TRY (483,062,206).

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

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

The fair value of the Company's lands and buildings has been determined as TRY 432,685,450 according to the valuation report issued by real estate valuation company accredited by CMB. As a result, the equity amount of the Company recognized in the Special Purpose Financial Statement (TCC 376 balance sheet) is TRY (108.052.044). Additionally, the Group made material event disclosure in accordance with CMB's principle decision numbered 11/352 as explained in Note 27.

At the Ordinary General Assembly of the Company held on May 14, 2020, the Board of Directors was instructed to determine the issue in accordance with TCC 376, bring appropriate solutions and fulfill the necessary formalities, including the approvals to be obtained from the relevant public institutions, and present them to the General Assembly.

In this framework, the Board of Directors of the Company has started to work on evaluating the relevant solution alternatives including simultaneous capital increase and decrease in accordance with the Communiqué on the Procedures and Principles Regarding the Implementation of Article 376 of the TCC ("Communiqué").

In this context, after the necessary permissions and approvals to be obtained from the public institutions of the Company, a solution proposal, including simultaneous capital increase and decrease due to the unrequited capital, will be submitted to the approval of the General Assembly.

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

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

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

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

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

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

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

The amendments include:

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

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

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

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

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

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

The practical expedient will only apply if:

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

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

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

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

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

Amendments Effective on 1 January 2020

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

1-) The revised Conceptual Framework (Version 2018)

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

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

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

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

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

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

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

Reference to the Conceptual Framework (Amendments to IFRS 3)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to IFRS Standards 2018–2020

Improvements to IFRSs

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

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

IFRS 9 Financial Instruments

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

IFRS 16 Leases, Illustrative Example 13

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

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3. CASH AND CASH EQUIVALENTS

	<u>30 June 2020</u>	<u>31 December 2019</u>
Cash on hand	17,921,859	25,465,297
Cash in transit (*)	23,032,433	22,922,559
Credit card receivables	385,956,473	373,640,601
Banks		
Time deposit	57,395,510	53,562,865
Demand deposit	21,746,076	31,309,771
	<u>506,052,351</u>	<u>506,901,093</u>

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

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

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

<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2020</u>
USD	0.75%	1 September 2020	24,974,030
TRY	7.50%	1 July 2020	32,400,000
		Interest Accrual	21,480
			<u>57,395,510</u>
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 December 2019</u>
USD	2.30%	2 March 2020	53,461,800
		Interest Accrual	101,065
			<u>53,562,865</u>

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

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

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4. FINANCIAL LIABILITIES

<u>Short Term Financial Liabilities</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Bank loans (*)	1,303,767,526	997,493,670
Lease liabilities	14,775,140	24,140,310
	<u>1,318,542,666</u>	<u>1,021,633,980</u>
<u>Short Term Portion of Long Term Financial Liabilities</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Lease liabilities	152,996,684	143,003,917
	<u>152,996,684</u>	<u>143,003,917</u>
<u>Long Term Financial Liabilities</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Bank loans (**)	-	200,000,000
Lease liabilities	748,213,557	721,374,883
	<u>748,213,557</u>	<u>921,374,883</u>

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

<u>Currency</u>	<u>Interest Rate (i)</u>	<u>30 June 2020</u>
TRY	9.19%	1,255,000,000
USD	4.50%	22,699,591
	Interest accrual	26,067,935
		<u>1,303,767,526</u>
<u>Currency</u>	<u>Interest Rate (i)</u>	<u>31 December 2019</u>
TRY	12.50%	941,090,827
USD	4.50%	37,588,308
	Interest accrual	18,814,535
		<u>997,493,670</u>

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

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4. FINANCIAL LIABILITIES (continued)

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

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

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

Finance lease payables consist of the followings:

Finance lease payables	Present value of minimum lease payments	
	30 June 2020	31 December 2019
Within one year	347,814,556	329,143,650
Less : Future finance charges	(180,042,732)	(161,999,423)
Present value of finance lease obligations	<u>167,771,824</u>	<u>167,144,227</u>
Two years and after	1,360,266,134	1,367,219,775
Less : Future finance charges	(612,052,577)	(645,844,892)
Present value of finance lease obligations	<u>748,213,557</u>	<u>721,374,883</u>

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

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

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

	30 June 2020	31 December 2019
2021	62,917,916	319,801,582
2022	117,311,084	115,775,458
2023	114,447,271	112,681,493
2024	95,238,350	93,312,182
2025 and after	358,298,936	279,804,168
	<u>748,213,557</u>	<u>921,374,883</u>

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4. FINANCIAL LIABILITIES (continued)

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

	<u>30 June 2020</u>	<u>30 June 2019</u>
Borrowings as of 1 January	1,197,493,670	867,002,106
Additions	555,000,000	390,000,000
Interest and capital repayments	(542,177,388)	(419,846,139)
Current period interest expenses (including accruals)	88,740,074	112,102,963
Effects of change in foreign exchange rate	4,711,170	5,807,989
Borrowings as of 30 June	1,303,767,526	955,066,919

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

	<u>30 June 2020</u>	<u>30 June 2019</u>
Lease liabilities as of 1 January	888,519,110	923,124,075
Net change in operating lease liability	111,683,357	39,590,881
Term lease payment	(189,146,707)	(173,714,186)
Current period interest expenses	101,894,584	98,065,379
Effects of change in foreign exchange rate	3,035,037	3,706,724
Lease liabilities as of 30 June	915,985,381	890,772,873

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

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

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5. TRADE RECEIVABLES AND PAYABLES

<u>Trade Receivables</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Other trade receivables	64,087,005	62,020,077
Shopping mall receivables	13,650,500	14,231,167
Provision for doubtful trade receivables	(30,226,533)	(29,985,809)
	<u>47,510,972</u>	<u>46,265,435</u>
Due from related parties (Note 24)	21,445,881	17,936,009
	<u>68,956,853</u>	<u>64,201,444</u>

The movement of provision for doubtful receivables for the six-month periods ended 30 June 2020 and 2019 are as follows:

	<u>30 June 2020</u>	<u>30 June 2019</u>
Opening balance	29,985,809	29,077,606
Collections	(961,983)	(2,131,203)
Charge for the period	1,202,707	3,256,077
Closing balance	<u>30,226,533</u>	<u>30,202,480</u>

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

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

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Letters of guarantee received for shopping mall receivables	2,142,782	2,506,169
	<u>2,142,782</u>	<u>2,506,169</u>

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5. TRADE RECEIVABLES AND PAYABLES (continued)

<u>Short Term Trade Payables</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Trade payables	1,668,348,549	1,637,874,070
Due to related parties (Note 24)	61,987,458	50,256,501
	<u>1,730,336,007</u>	<u>1,688,130,571</u>

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

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

6. INVENTORIES

	<u>30 June 2020</u>	<u>31 December 2019</u>
Trade goods	904,208,723	796,407,625
Impairment of inventories	(9,881,042)	(8,485,369)
	<u>894,327,681</u>	<u>787,922,256</u>

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

	<u>30 June 2020</u>	<u>30 June 2019</u>
Opening balance	8,485,369	8,359,182
Charge of the period	1,671,848	467,038
Current period reversal	(276,175)	(755,042)
Closing balance	<u>9,881,042</u>	<u>8,071,178</u>

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

For the six-month period ended 30 June 2020, cost of inventory recognized in profit or loss statement is TRY 2,675,366,195 (30 June 2019: TRY 2,124,880,961) (Note 16)

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7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost							
Opening balance, 1 January 2020	123,181,828	216,569,545	-	967,566,541	14,754,506	807,984	1,322,880,404
Additions	-	3,271,073	-	48,877,682	167,250	4,634,089	56,950,094
Transfers (Note 9)	-	-	-	511,511	-	(529,339)	(17,828)
Impairments cancelled	-	-	-	1,202,392	44,316	-	1,246,708
Disposals (*)	-	(1,800)	-	(3,173,631)	(83,261)	(68,563)	(3,327,255)
Closing balance, 30 June 2020	<u>123,181,828</u>	<u>219,838,818</u>	<u>-</u>	<u>1,014,984,495</u>	<u>14,882,811</u>	<u>4,844,171</u>	<u>1,377,732,123</u>
Accumulated depreciation							
Opening balance, 1 January 2020	-	(80,776,663)	-	(594,109,602)	(10,215,514)	-	(685,101,779)
Depreciation charge of the period	-	(4,447,064)	-	(56,866,099)	(903,779)	-	(62,216,942)
Impairments cancelled	-	-	-	(562,777)	(27,295)	-	(590,072)
Disposals (*)	-	1,286	-	2,301,167	62,704	-	2,365,157
Closing balance, 30 June 2020	<u>-</u>	<u>(85,222,441)</u>	<u>-</u>	<u>(649,237,311)</u>	<u>(11,083,884)</u>	<u>-</u>	<u>(745,543,636)</u>
Net book value, 1 January 2020	<u>123,181,828</u>	<u>135,792,882</u>	<u>-</u>	<u>373,456,939</u>	<u>4,538,992</u>	<u>807,984</u>	<u>637,778,625</u>
Net book value, 30 June 2020	<u>123,181,828</u>	<u>134,616,377</u>	<u>-</u>	<u>365,747,184</u>	<u>3,798,927</u>	<u>4,844,171</u>	<u>632,188,487</u>

As of 30 June 2020, from depreciation and amortization expenses, TRY 163,812,524 (30 June 2019: TRY 146,923,554) is included in marketing expenses and TRY 16,761,942 (30 June 2019: TRY 19,459,287) is included in general administrative expenses.

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

As of 30 June 2020, total insurance amount over property, plant and equipment is TRY 1,124,837,735 (31 December 2019: TRY 824,249,274). As of 30 June 2020 and 31 December 2019 there is no mortgage on property, plant and equipment.

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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost							
Opening balance, 1 January 2019	123,076,827	211,934,774	20,512,454	865,314,316	16,016,457	3,136,591	1,239,991,419
Additions	105,000	3,032,003	-	40,670,265	25,836	7,593,383	51,426,487
Transfers (Note 8)	-	-	(20,512,454)	2,375,331	3,378	(2,804,226)	(20,937,971)
Impairments cancelled	-	-	-	187,670	1,812	-	189,482
Disposals (*)	-	(239,300)	-	(11,795,881)	(106,450)	-	(12,141,631)
Closing balance, 30 June 2019	123,181,827	214,727,477	-	896,751,701	15,941,033	7,925,748	1,258,527,786
Accumulated depreciation							
Opening balance, 1 January 2019	-	(72,743,728)	(7,731,722)	(517,045,018)	(9,057,877)	-	(606,578,345)
Depreciation charge of the period	-	(4,483,035)	-	(49,506,105)	(1,053,104)	-	(55,042,244)
Transfers (Note 8)	-	-	7,731,722	-	-	-	7,731,722
Impairments cancelled	-	-	-	(99,061)	(1,095)	-	(100,156)
Disposals (*)	-	115,814	-	11,306,035	98,607	-	11,520,456
Closing balance, 30 June 2019	-	(77,110,949)	-	(555,344,149)	(10,013,469)	-	(642,468,567)
Net book value, 1 January 2019	123,076,827	139,191,046	12,780,732	348,269,298	6,958,580	3,136,591	633,413,074
Net book value, 30 June 2019	123,181,827	137,616,528	-	341,407,552	5,927,564	7,925,748	616,059,219

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

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8. RIGHT OF USE ASSETS

<u>Cost</u>	Buildings	Vehicles	Total
Opening balance, 1 January 2020	978,522,591	12,445,125	990,967,716
Additions	132,584,591	-	132,584,591
Disposals	(23,551,471)	-	(23,551,471)
Closing balance, 30 June 2020	1,087,555,711	12,445,125	1,100,000,836
<u>Accumulated depreciation</u>			
Opening balance, 1 January 2020	(192,138,348)	(4,148,375)	(196,286,723)
Depreciation charge of the period	(103,242,767)	(2,074,188)	(105,316,955)
Disposals	2,650,238	-	2,650,238
Closing balance, 30 June 2020	(292,730,877)	(6,222,563)	(298,953,440)
Net book value, 1 January 2020	786,384,243	8,296,750	794,680,993
Net book value, 30 June 2020	794,824,834	6,222,562	801,047,396
<u>Cost</u>			
Opening balance, 1 January 2019	855,578,984	12,445,125	868,024,109
Additions	39,590,882	-	39,590,882
Transfers (*) (Note 7)	20,512,454	-	20,512,454
Disposals	-	-	-
Closing balance, 30 June 2019	915,682,320	12,445,125	928,127,445
<u>Accumulated depreciation</u>			
Opening balance, 1 January 2019	-	-	-
Depreciation charge of the period	(92,925,512)	(2,074,188)	(94,999,700)
Transfers (*) (Note 7)	(7,731,722)	-	(7,731,722)
Disposals	-	-	-
Closing balance, 30 June 2019	(100,657,234)	(2,074,188)	(102,731,422)
Net book value, 1 January 2019	855,578,984	12,445,125	868,024,109
Net book value, 30 June 2019	815,025,086	10,370,937	825,396,023

The Group, as a lessee, booked the right to use the property representing the right to use the underlying asset and the lease obligations representing the lease payments to which it is liable, in the condensed consolidated financial statements.

As of June 30, 2020, the amount of the unredeemed prepaid rent expenses that are recognized in the Group's right to use assets is TRY 7,495,231 (30 June 2019: TRY 4,793,454).

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

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9. INTANGIBLE ASSETS

Other Intangible Assets

<u>Cost</u>	<u>Total</u>
Opening balance, 1 January 2020	184,041,520
Additions	11,722,734
Transfers (Note 7)	17,828
Impairments cancelled	554
Disposals	(54,679)
Closing balance, 30 June 2020	<u>195,727,957</u>
<u>Accumulated amortization</u>	
Opening balance, 1 January 2020	(136,988,573)
Charge for the period	(13,040,569)
Impairments cancelled	(384)
Disposals	53,757
Closing balance, 30 June 2020	<u>(149,975,769)</u>
Net book value, 1 January 2020	<u>47,052,947</u>
Net book value, 30 June 2020	<u>45,752,188</u>

<u>Cost</u>	<u>Total</u>
Opening balance, 1 January 2019	171,801,942
Additions	5,040,602
Transfers (Note 7)	425,517
Impairments cancelled	14,588
Disposals	(1,039,731)
Closing balance, 30 June 2019	<u>176,242,918</u>
<u>Accumulated amortization</u>	
Opening balance, 1 January 2019	(109,224,980)
Charge for the period	(16,340,898)
Impairments cancelled	(10,297)
Disposals	454,915
Closing balance, 30 June 2019	<u>(125,121,260)</u>
Net book value, 1 January 2019	<u>62,576,962</u>
Net book value, 30 June 2019	<u>51,121,658</u>

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

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10. GOODWILL

Goodwill amount is consisted of following investments:

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

11. SHORT AND LONG TERM PROVISIONS

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

<u>Short Term Provisions</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Provision for other, risk, litigations and onerous contracts	61,902,561	59,668,625
Provision for personnel and social security	770,000	770,000
	<u>62,672,561</u>	<u>60,438,625</u>

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

	<u>Provision for other risks and litigations</u>	<u>Provision for personnel and social security</u>	<u>Total</u>
Opening balance, 1 January 2020	59,668,625	770,000	60,438,625
Charge of the period	6,051,333	-	6,051,333
Current year reversal / charge	(3,817,397)	-	(3,817,397)
Closing balance, 30 June 2020	<u>61,902,561</u>	<u>770,000</u>	<u>62,672,561</u>

	<u>Provision for other risks, litigations and onerous contracts</u>	<u>Provision for personnel and social security</u>	<u>Other</u>	<u>Total</u>
Opening balance, 1 January 2019	67,751,688	770,000	3,580,507	72,102,195
Charge of the period	4,529,512	-	631,166	5,160,678
Current year reversal / charge	(4,890,385)	-	(4,211,673)	(9,102,058)
Closing balance, 30 June 2019	<u>67,390,815</u>	<u>770,000</u>	<u>-</u>	<u>68,160,815</u>

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11. SHORT AND LONG TERM PROVISIONS (Continued)

Contingent Assets and Liabilities

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

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

<u>Short Term Employment Benefits</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Unused vacation provision	12,360,935	10,902,379
	<u>12,360,935</u>	<u>10,902,379</u>
<u>Long Term Employment Benefits</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Employment termination benefit provision	90,302,596	75,888,726
	<u>90,302,596</u>	<u>75,888,726</u>

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

	<u>30 June 2020</u>	<u>30 June 2019</u>
Opening balance, 1 January	75,888,726	54,239,655
Service cost	17,644,340	17,378,917
Interest cost	1,871,229	1,337,417
Compansations paid	(5,101,699)	(8,305,120)
Closing balance, 30 June	<u>90,302,596</u>	<u>64,650,869</u>

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12. LETTER OF GUARANTEES, PLEDGES AND MORTGAGES

GPM given by the Group

	<u>30 June 2020</u>	<u>31 December 2019</u>
A. GPM given on behalf of its own legal entity	122,312,613	116,849,916
B. GPM given on behalf of consolidated subsidiaries	-	-
C. Total amount of GPM given on behalf of other third parties' debt	-	-
D. Other GPM	-	-
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-
	<u>122,312,613</u>	<u>116,849,916</u>

30 June 2020

	<u>Total TRY</u>	<u>TRY</u>	<u>USD (TRY Equivalents)</u>	<u>EUR (TRY Equivalents)</u>
Letter of guarantees	122,312,613	115,843,322	2,346,746	4,122,545
	<u>122,312,613</u>	<u>115,843,322</u>	<u>2,346,746</u>	<u>4,122,545</u>

31 December 2019

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

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

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13. EMPLOYMENT BENEFITS

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

<u>Employee Benefit Liabilities</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Payables to personnel and social security premiums payable (*)	89,438,698	16,615,186
Personnel salary and premium payables	38,856,770	5,966,379
	<u>128,295,468</u>	<u>22,581,565</u>

(*) Social security and unemployment insurance premium payment amounting to TL 82,597,579 has been postponed due to covid-19.

14. OTHER CURRENT LIABILITIES

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

<u>Other Current Liabilities</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Unearned income	21,906,182	14,564,581
Liabilities for shopping cheques	4,081,425	6,204,796
Accrued expenses	887,564	493,339
	<u>26,875,171</u>	<u>21,262,716</u>

15. SHAREHOLDERS' EQUITY

a) Capital

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

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

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

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15. SHAREHOLDERS' EQUITY (Continued)

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

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

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

b) Retained Losses

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

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

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

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

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

c) Restricted Reserves

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

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

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15. SHAREHOLDERS' EQUITY (Continued)

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

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

Capital restatement differences can only be included in capital.

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Actuarial (losses) / gains	<u>(16,553,327)</u>	<u>(16,553,327)</u>
	<u>(16,553,327)</u>	<u>(16,553,327)</u>

16. REVENUE AND COST OF SALES

<u>NET SALES</u>	1 January - 30 June 2020	1 April- 30 June 2020	1 January - 30 June 2019	1 April- 30 June 2019
Revenue from retail operations	3,655,454,419	1,872,923,327	2,985,264,032	1,594,713,668
Loyalty program discounts	(10,153,920)	(5,346,873)	(18,258,421)	(6,207,754)
Sales returns	(20,632,329)	(11,543,563)	(34,153,641)	(29,215,685)
Sales discount	(6,567,140)	(3,898,904)	(4,117,314)	(2,504,155)
Rent income	7,502,012	2,660,298	9,281,538	4,735,743
	<u>3,625,603,042</u>	<u>1,854,794,285</u>	<u>2,938,016,194</u>	<u>1,561,521,817</u>

<u>COST OF SALES</u>	1 January - 30 June 2020	1 April- 30 June 2020	1 January - 30 June 2019	1 April- 30 June 2019
Opening balance of inventories	(787,922,256)	(972,381,537)	(639,173,766)	(693,102,046)
Purchases	(2,781,771,620)	(1,296,460,894)	(2,193,008,001)	(1,142,532,291)
Closing balance of inventories	894,327,681	894,327,681	707,300,806	707,300,806
Shopping mall general expenses	(1,170,471)	(413,864)	(2,264,863)	(1,068,496)
	<u>(2,676,536,666)</u>	<u>(1,374,928,614)</u>	<u>(2,127,145,824)</u>	<u>(1,129,402,027)</u>

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17. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

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

<u>OPERATING EXPENSES</u>	<u>1 January - 30 June 2020</u>	<u>1 April- 30 June 2020</u>	<u>1 January - 30 June 2019</u>	<u>1 April- 30 June 2019</u>
Marketing expenses	(801,249,205)	(406,789,740)	(666,737,513)	(341,524,607)
General administrative expenses	(87,173,553)	(40,836,312)	(85,552,347)	(43,512,560)
	<u>(888,422,758)</u>	<u>(447,626,052)</u>	<u>(752,289,860)</u>	<u>(385,037,167)</u>

18. EXPENSES BY NATURE

	<u>1 January - 30 June 2020</u>	<u>1 April- 30 June 2020</u>	<u>1 January - 30 June 2019</u>	<u>1 April- 30 June 2019</u>
Personnel expenses	(439,852,236)	(216,893,246)	(362,140,699)	(185,231,347)
Depreciation and amortization expenses	(180,574,466)	(90,475,613)	(166,382,842)	(84,356,036)
Energy expenses	(69,730,901)	(35,042,401)	(59,505,345)	(30,911,316)
Rent expenses	(48,090,201)	(28,069,804)	(38,469,477)	(20,548,240)
Repair and maintenance expenses	(36,535,787)	(18,744,045)	(30,976,323)	(16,155,386)
Outsourced expenses	(28,059,887)	(14,011,208)	(24,376,822)	(12,112,521)
Advertising expenses	(19,470,793)	(9,332,116)	(19,930,963)	(10,077,784)
Consultancy expenses	(8,330,445)	(4,161,351)	(11,275,934)	(4,943,344)
Insurance expenses	(4,111,127)	(2,062,865)	(3,465,283)	(1,710,254)
Taxation and other expenses	(4,057,302)	(1,700,802)	(4,020,323)	(1,701,447)
Stationery consumption expenses	(3,830,221)	(1,805,205)	(3,397,506)	(1,771,679)
Decoration material expenses	(3,490,995)	(1,659,598)	(3,270,190)	(1,673,626)
Travel expenses	(3,292,155)	(1,268,757)	(4,643,385)	(2,619,307)
Communication expenses	(385,991)	(189,338)	(573,308)	(255,073)
Other	(38,610,251)	(22,209,703)	(19,861,460)	(10,969,807)
	<u>(888,422,758)</u>	<u>(447,626,052)</u>	<u>(752,289,860)</u>	<u>(385,037,167)</u>

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19. OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

Other operating income/expenses from main operations for the periods ended 30 June 2020 and 2019 are as follows:

Other Operating Income	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange gain from operational activities	12,358,493	4,493,507	12,398,558	7,980,730
Concessions for rent payments	4,682,253	4,682,253	-	-
Cancellations regarding lease termination provisions	1,988,474	1,988,474	-	-
Provisions no longer required	219,954	-	4,253,518	2,858,561
Impairment no longer required	656,806	169	93,615	93,615
Other income	3,158,159	843,905	1,672,974	(1,723,874)
	<u>23,064,139</u>	<u>12,008,308</u>	<u>18,418,665</u>	<u>9,209,032</u>

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

Other Operating Expenses (-)	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Interest expenses from purchases via credit	(70,348,996)	(29,973,691)	(108,831,271)	(57,285,007)
Foreign exchange losses from operational activities	(9,786,648)	(4,272,355)	(9,259,407)	(7,004,031)
Provision expenses	(1,491,925)	(1,298,157)	(3,271,447)	(2,516,087)
Interest expenses from operational activities	(548,529)	(548,529)	(627,885)	(407,101)
Other expenses and losses	(27,291,754)	(14,904,420)	(20,081,853)	(10,012,836)
	<u>(109,467,852)</u>	<u>(50,997,152)</u>	<u>(142,071,863)</u>	<u>(77,225,062)</u>

Provision expenses are mainly consisting of risk and legal provisions.

20. FINANCE INCOME

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

Finance income	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreing exchange income	8,785,002	4,343,862	37,741,749	6,939,217
Interest income	2,495,345	1,044,992	4,348,419	2,678,678
	<u>11,280,347</u>	<u>5,388,854</u>	<u>42,090,168</u>	<u>9,617,895</u>

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21. FINANCE COSTS

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

<u>Finance costs</u>	<u>1 January - 30 June 2020</u>	<u>1 April- 30 June 2020</u>	<u>1 January - 30 June 2019</u>	<u>1 April- 30 June 2019</u>
Interest expenses on lease liabilities	(101,894,584)	(51,800,299)	(98,065,379)	(49,469,539)
Interest expenses	(88,740,074)	(44,678,156)	(112,102,963)	(56,323,538)
Foreing exchange expenses	(10,081,436)	(4,831,922)	(14,480,640)	(7,610,945)
Credit card commision costs	(5,169,662)	(2,534,154)	(5,607,938)	(3,072,420)
	<u>(205,885,756)</u>	<u>(103,844,531)</u>	<u>(230,256,920)</u>	<u>(116,476,442)</u>

22. TAX ASSETS AND LIABILITIES

<u>Tax Expense of the Period</u>	<u>1 January- 30 June 2020</u>	<u>1 January- 30 June 2019</u>
Corporate tax expense of the current period	-	-
Deferred tax income	39,482,304	54,543,748
Tax income/(expense) from continuing operations	<u>39,482,304</u>	<u>54,543,748</u>

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

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

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

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

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

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

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22. TAX ASSETS AND LIABILITIES (Continued)

Exemption from corporate tax:

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

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

Income withholding tax:

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

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

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

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

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

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

<u>The basis for deferred tax timing differences:</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Provision for onerous contract and other contingencies	72,368,959	73,547,429
Provision for impairment in fixed assets	100,198	2,987,921
Inventory valuation differences	127,475,538	124,725,323
Other current assets	(40,434,629)	(22,643,101)
Provision for employment termination benefit	90,302,596	75,888,726
Tangible and intangible assets	(60,173,266)	(73,853,770)
Right of use assets	(808,542,627)	(799,910,607)
Other short term liabilities	68,535,693	67,667,969
Finance lease payables	901,141,515	862,934,894
Prior year losses	1,162,298,151	1,003,923,389
	<u>1,513,072,128</u>	<u>1,315,268,173</u>

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22. TAX ASSETS AND LIABILITIES (Continued)

<u>Deferred tax assets / (liabilities) :</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Provision for onerous contract and other contingencies	15,921,171	16,180,434
Provision for impairment in fixed assets	20,040	597,584
Inventory valuation differences	28,044,618	27,439,571
Other current assets	(8,895,618)	(4,981,480)
Provision for employment termination benefit	18,060,519	15,177,745
Tangible and intangible assets	(12,033,456)	(14,770,754)
Right of use assets	(161,708,525)	(159,982,121)
Other short term liabilities	15,077,853	14,886,953
Finance lease payables	183,286,861	175,418,179
Prior year losses	232,459,630	200,784,678
	<u>310,233,093</u>	<u>270,750,789</u>

Carry forward tax losses

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
2021	312,597,059	312,597,059
2022	344,549,152	344,549,152
2023	2,246,132	1,880,547
2024	344,866,374	344,896,631
2025	158,039,434	-
	<u>1,162,298,151</u>	<u>1,003,923,389</u>

The movements of deferred tax asset as of 30 June 2020 and 2019 are as follows:

<u>Deferred tax asset:</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
Opening balance at 1 January	270,750,789	179,757,217
Current year income	39,482,304	54,543,748
Closing balance at 30 June	<u>310,233,093</u>	<u>234,300,965</u>

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23. EARNINGS (LOSS) / PER SHARE

Weighted average number of shares and basic earnings per share for the periods ended 30 June 2020 and 30 June 2019 are as follows:

	<u>30 June 2020</u>	<u>30 June 2019</u>
Opening, number of shares (Note 15)	70,000,000,000	70,000,000,000
Share addition	-	-
Closing, number of shares (total)	<u>70,000,000,000</u>	<u>70,000,000,000</u>
Weighted average number of shares (Note 15)	70,000,000,000	70,000,000,000
Net loss for the period (TL)	<u>(181,123,924)</u>	<u>(199,820,566)</u>
Loss per share gain (Kr)	<u>(0.2587)</u>	<u>(0.2855)</u>

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24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

<u>Cash and cash equivalents (Note 3)</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Akbank T.A.Ş.	185,354,396	156,820,099
	<u>185,354,396</u>	<u>156,820,099</u>
<u>Financial Liabilities (Note 4)</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Akbank T.A.Ş.	605,693,658	679,818,883
Burgan Bank A.Ş.	84,274,666	50,157,500
Ak Finansal Kiralama A.Ş.	14,775,140	24,140,310
	<u>704,743,464</u>	<u>754,116,693</u>
<u>Trade receivables from related parties (Note 5)</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Carrefour World Trade	19,504,914	16,460,398
Akbank T.A.Ş.	480,242	105,989
Carrefour Polska Sp. z o. o.	456,919	375,257
Carrefour Romania	258,682	-
Carrefour Nederland BV	165,829	165,829
Socomo S.A.	163,069	163,069
Ak Finansal Kiralama A.Ş.	36,918	36,918
Carrefour Global Sourcing Asia	30,311	249
Akçansa Çimento Sanayi ve Ticaret A.Ş.	-	329,886
Hacı Ömer Sabancı Holding A.Ş.	20,458	30,400
Other	328,539	268,014
	<u>21,445,881</u>	<u>17,936,009</u>
<u>Trade payables to related parties (Note 5)</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	15,079,965	19,009,208
Teknosa İç ve Dış Ticaret A.Ş.	17,036,719	207,278
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	12,332,120	10,965,704
Sabancı Dijital Teknoloji Hizmetler A.Ş.	8,711,324	19,356,747
Aksigorta A.Ş.	8,483,222	292,697
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	106,350	106,350
Avivasa Emeklilik ve Hayat A.Ş.	-	93,028
Other	237,758	225,489
	<u>61,987,458</u>	<u>50,256,501</u>
<u>Other short term payables to related parties</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Hacı Ömer Sabancı Holding A.Ş.	14,631,999	7,031,377
Carrefour Partenariat International	4,649,254	4,352,612
	<u>19,281,253</u>	<u>11,383,989</u>

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24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
<u>Purchases from related parties (goods)</u>				
Philip Morris Sabancı Sigara ve Tütünçülük Sanayi ve Tic. A.Ş.	133,849,061	66,436,478	115,024,810	61,556,782
Teknosa İç ve Dış Ticaret A.Ş.	15,563,986	15,024,757	1,768,744	1,768,744
	<u>149,413,047</u>	<u>81,461,235</u>	<u>116,793,554</u>	<u>63,325,526</u>
<u>Purchases from related parties (services)</u>				
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	51,086,280	24,390,433	38,006,223	22,616,469
Sabancı Dijital Teknoloji Hizmetler A.Ş.	8,070,785	4,161,279	4,764,963	2,550,120
Aksigorta A.Ş.	4,063,906	2,030,103	3,378,521	1,526,199
Teknosa İç ve Dış Ticaret A.Ş.	647,039	608,990	83,409	48,455
Other	37,855	15,685	14,592	14,592
	<u>63,905,865</u>	<u>31,206,490</u>	<u>46,247,708</u>	<u>26,755,835</u>
<u>Rent income from related parties</u>				
Akbank T.A.Ş.	912,259	35,988	1,037,189	82,143
Teknosa İç ve Dış Ticaret A.Ş.	888,659	444,330	564,658	423,494
	<u>1,800,918</u>	<u>480,318</u>	<u>1,601,847</u>	<u>505,637</u>
<u>Rebates and other income from related parties</u>				
Carrefour World Trade	19,504,914	10,376,456	11,680,188	6,066,729
Philip Morris Sabancı Sigara ve Tütünçülük Sanayi ve Ticaret A.Ş.	3,257,332	1,657,620	2,585,753	1,354,969
Teknosa İç ve Dış Ticaret A.Ş.	1,175,993	604,063	1,030,323	651,995
Akbank T.A.Ş.	945,556	457,257	64,793	51,453
Akçansa Çimento Sanayi ve Ticaret A.Ş.	529,085	467,348	35,307	2,109
Carrefour Polska Sp. z o. o.	448,455	448,455	-	-
Carrefour Global Sourcing Asia	314,743	314,743	388,770	204,220
Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş.	302,410	-	293,347	287,587
Carrefour Romania	258,682	133,215	-	-
Aksigorta A.Ş.	201,006	201,006	1,141	1,141
Avivasa Emeklilik ve Hayat A.Ş.	165,371	84,234	397,425	62,675
Çimsa Çimento Sanayi ve Ticaret A.Ş.	141,537	140,577	132,284	131,276
Hacı Ömer Sabancı Holding A.Ş.	132,809	115,927	42,387	42,387
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	82,259	82,259	-	-
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	10,535	-	-	-
Ak Yatırım Menkul Değerler A.Ş.	3,281	2,654	-	-
Carrefour Nederland BV	-	-	170,612	135,008
Sabancı Dijital Teknoloji Hizmetler A.Ş.	-	-	107,400	107,400
Other	61,535	57,396	52,143	30,382
	<u>27,535,503</u>	<u>15,143,210</u>	<u>16,981,873</u>	<u>9,129,331</u>

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24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
<u>Other expenses to related parties</u>				
Hacı Ömer Sabancı Holding A.Ş.	12,432,191	6,389,556	10,066,657	5,355,150
Carrefour Partenariat International	13,431,444	9,001,831	7,371,132	3,910,224
Ak Yatırım Menkul Değerler A.Ş.	-	-	22,824	22,824
Aksigorta A.Ş.	14,426	-	-	-
Sabancı Dijital Teknoloji Hizmetler A.Ş.	-	-	482,380	482,380
	<u>25,878,061</u>	<u>15,391,387</u>	<u>17,942,993</u>	<u>9,770,578</u>
<u>Interest income from related parties</u>				
Akbank T.A.Ş.	2,319,570	973,443	3,248,871	2,190,788
<u>Interest expense and credit card commission to related parties</u>				
Akbank T.A.Ş.	46,629,639	21,458,323	54,458,569	30,398,956
Burgan Bank A.Ş.	4,659,667	2,431,217	-	-
Ak Finansal Kiralama A.Ş.	491,884	219,436	946,125	468,147
	<u>51,781,190</u>	<u>24,108,976</u>	<u>55,404,694</u>	<u>30,867,103</u>

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

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Salaries and other short term benefits	5,136,339	2,422,205	5,760,989	2,152,809
Other long term benefits	280,291	148,255	294,109	152,191
	<u>5,416,630</u>	<u>2,570,460</u>	<u>6,055,098</u>	<u>2,305,000</u>

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25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign Currency Risk

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

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

	30 June 2020		
	TRY Equivalents (Functional currency)	USD	EUR
1. Trade receivables	21,164,488	91,474	2,664,513
2. Liquid assets	39,778,082	3,726,861	1,852,333
3. CURRENT ASSETS (1+2)	60,942,570	3,818,335	4,516,846
4. Other	37,554,662	4,531,100	850,000
5. NON-CURRENT ASSETS	37,554,662	4,531,100	850,000
6. TOTAL ASSETS (3+5)	98,497,232	8,349,435	5,366,846
7. Trade payables	10,320,692	1,507,772	547
8. Other payables	4,649,255	-	603,157
9. Financial liabilities	37,474,749	5,477,003	-
10. Non-monetary other liabilities	491,400	71,819	-
11. CURRENT LIABILITIES (7+8+9+10)	52,936,096	7,056,594	603,704
12. Financial liabilities	25,690,028	-	3,332,818
13. NON-CURRENT LIABILITIES	25,690,028	-	3,332,818
14. TOTAL LIABILITIES (11+13)	78,626,124	7,056,594	3,936,522
15. Net foreign currency asset / liability position (6-14)	19,871,108	1,292,841	1,430,324
16. Net monetary foreign currency asset / liability position (6-14+10)	20,362,508	1,364,660	1,430,324
17. Fair value of financial instruments used for foreign currency hedge	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	183,624	26,837	-

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25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign Currency Risk (Continued)

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

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25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign Currency Risk (Continued)

Foreign currency sensitivity

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

30 June 2020		
	<u>Income / Expense</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case of 10% appreciation of USD against TRY		
1 - US Dollar net asset / liability	884,588	(884,588)
2- Amount hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	<u>884,588</u>	<u>(884,588)</u>
In case of 10% appreciation of EUR against TRY		
4 - Euro net asset / liability	1,102,522	(1,102,522)
5 - Amount hedged from Euro risk (-)	-	-
6- Euro net effect (4 +5)	<u>1,102,522</u>	<u>(1,102,522)</u>
TOTAL (3 + 6)	<u>1,987,110</u>	<u>(1,987,110)</u>
31 December 2019		
	<u>Income / Expense</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case of 10% appreciation of USD against TRY		
1 - US Dollar net asset / liability	621,655	(621,655)
2- Amount hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	<u>621,655</u>	<u>(621,655)</u>
In case of 10% appreciation of EUR against TRY		
4 - Euro net asset / liability	1,121,980	(1,121,980)
5 - Amount hedged from Euro risk (-)	-	-
6- Euro net effect (4 +5)	<u>1,121,980</u>	<u>(1,121,980)</u>
TOTAL (3 + 6)	<u>1,743,635</u>	<u>(1,743,635)</u>

Fair value

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

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25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial assets

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

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

Financial liabilities

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

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

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

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

Classification regarding fair value measurement

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

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

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

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

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

The measures taken against the Covid-19 epidemic and epidemic, declared as a pandemic by the World Health Organization (WHO) on March 11, 2020, continue to cause disruptions in operations and negatively affect economic conditions in all countries exposed to the epidemic. As a result, asset prices, liquidity, exchange rates, interest rates and many other issues are affected, and the future remains uncertain due to the effects of the epidemic. The company management closely monitors all developments, makes detailed evaluations and takes the necessary measures in order to minimize the possible effects of the Covid-19 epidemic on its activities, financial status, financial performance and cash flows. Due to the Covid-19 outbreak, the Company temporarily closed 12 stores in the first six months and reopened 10 stores in June. As of 30 June 2020, 3 stores are temporarily closed. In addition, the rental discounts obtained due to Covid-19 in the six-month period were also recognized in other income from main operations.

While preparing the consolidated financial statements dated June 30, 2020, the Group evaluated the possible effects of the Covid-19 epidemic on the consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group has tested the possible impairment of financial and non-financial assets included in the interim consolidated financial statements and no impairment was detected.

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

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27. EVENTS AFTER THE BALANCE SHEET DATE

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

"Our Company has issued consolidated financial statements in accordance with CMB regulations dated 30 June 2020. According to the third paragraph of Article 376 of the Turkish Commercial Code, the total of the Group's capital and legal reserves were unrequited in these condensed consolidated interim financial statements. In accordance with the CMB decision dated 10 April 2014 and numbered 11/352, based on the valuation reports used in determining the market value of land and buildings and financial assets, a Special Purpose Financial Statement (TTC 376 balance sheet) is presented in the attachment. In this Special Purpose Financial Statement of the Company (TCC 376 balance sheet), the shareholders' equity is determined as TRY (108.052.044). At the Ordinary General Assembly of the Company held on May 14, 2020, the Board of Directors was instructed to determine the issue in accordance with TCC 376, bring appropriate solutions and fulfill the necessary formalities, including the approvals to be obtained from the relevant public institutions, and present them to the General Assembly. In this framework, the Board of Directors of the Company has started to work on evaluating the relevant solution alternatives including simultaneous capital increase and decrease."