

EBEBEK MAĐAZACILIK A.Ő.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT SPECIAL PURPOSE AUDITOR'S REPORT

To the General Assembly of Ebebek Mağazacılık A.Ş.

1. Our opinion

We have audited the accompanying consolidated financial statements of Ebebek Mağazacılık A.Ş. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) which comprise the consolidated statements of financial positions as at 31 December 2022 and 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022 and 31 December 2021 and its financial performance and cash flows for the years then ending, in accordance with Turkish Financial Reporting Standards (“TFRS”).

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key audit matters

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



Key Audit Matters	How the key audit matter was addressed in the audit
<p>Revenue recognition</p> <p>The Group operates in the mother and baby sector and had respectively 200 and 189 stores and e-commerce in total as of 31 December 2022 and 31 December 2021.</p> <p>In addition to being the most important financial statement line item for the retail industry, revenue is one of the most important criteria for evaluation of performance and the results of management strategies.</p> <p>The audit of revenue is a key audit matter since revenue amounting to respectively TRY 4,569,147,722 and TRY 2,062,506,972 million for the years ended at 31 December 2022 and 2021 are material to the financial statements. Additionally, completeness and accuracy of revenue transactions are difficult to audit due to the high volume of transactions resulting from the large number of stores and sales points.</p>	<p>The audit procedures included substantive tests.</p> <p>We developed an understanding of invoicing, order taking, refund and payment of revenue stream processes.</p> <p>We tested the recognition of daily transfers to the cash boxes on a sample basis.</p> <p>Regarding the correctness of customer invoices created, transactions realized through the systems were matched with the collections from customers.</p> <p>Substantive analytical procedures were performed to assess variances in the revenue. Product and category based sales and gross margins were compared to prior periods and their consistency was evaluated.</p> <p>In addition to these, measurement of revenue and adequacy and compliance of related disclosures included in the accompanying consolidated financial statements were evaluated from TFRS standpoint.</p>

4. Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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



5. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

6. Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read "Gökhan Yüksel", is written over a light blue horizontal line.

Gökhan Yüksel, SMMM
Partner

Istanbul, 6 April 2023

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

EBEBEK MAĞAZACILIK A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022**

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(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

EBEBEK MAĞAZACILIK A.Ş.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2022**

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

	Notes	Current period 31 December 2022	Prior period 31 December 2021
ASSETS			
Current assets		1,711,118,943	649,177,929
Cash and cash equivalents	4	53,705,744	24,062,240
Trade receivables			
- Trade receivables from related parties	5	35,604,609	11,429,282
Other receivables			
- Other receivables from third parties	8	4,936,573	4,433,031
Inventories	10	1,389,222,131	514,977,814
Prepaid expenses	6	82,499,311	51,677,591
Other current assets	7	145,150,575	42,597,971
Non-current assets		572,385,041	353,828,993
Other receivables			
- Other receivables from third parties	8	619,458	204,380
Property, plant and equipment	11	263,989,242	146,779,134
Intangible assets			
- Other intangible assets	12	12,836,509	9,769,180
- Goodwill	3	29,123,542	17,815,465
Right-of-use-assets	13	214,333,449	177,935,117
Prepaid expenses	6	1,258,085	176,050
Deferred tax assets	24	50,224,756	1,149,667
Total assets		2,283,503,984	1,003,006,922

These consolidated financial statements were signed by Board of Directors to be issued on 6 April 2023. The consolidated financial statements will be finalized with the approval of the General Assembly.

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

**(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

EBEBEK MAĞAZACILIK A.Ş.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2022**

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

	Notes	Current period 31 December 2022	Prior period 31 December 2021
LIABILITIES			
Short term liabilities		1,755,041,339	734,078,660
Short-term borrowings	14	315,628,805	160,546,885
Lease liabilities	14	41,178,468	32,418,885
Trade payables			
- Trade payables to related parties	5,25	41,817,192	33,982,877
- Trade payables to third parties	5	1,305,745,450	476,325,708
Employee benefit obligations		20,745,690	8,478,922
Current income tax liabilities	24	3,949	1,520,958
Short-term provisions			
- Provisions for employee benefits		4,018,947	1,127,070
Deferred income	9	18,903,932	14,659,527
Other short term liabilities	15	6,998,906	5,017,828
Long term liabilities		284,363,420	189,080,687
Long-term borrowings	14	-	5,627,257
Lease liabilities	14	203,136,144	165,788,321
Long-term provisions			
- Provisions for employee benefits	17	58,168,086	10,615,409
- Other long term provision		10,517,513	5,490,555
Deferred income	9	3,762,922	1,559,145
Deferred tax liability	24	2,667,644	-
Other long term liabilities	15	6,111,111	-
Equity			
Equity holders of the parent		250,175,230	79,847,575
Paid-in capital	18	17,500,000	17,500,000
Restricted reserves	18	1,572,207	1,572,207
Other comprehensive income or expenses not to be reclassified to profit or loss			
- Actuarial losses arising from defined benefit plans		(37,885,228)	(7,140,435)
Other comprehensive income or expenses to be reclassified to profit or loss			
- Currency translation differences		(574,535)	-
Retained earnings		67,915,803	70,473,622
Net income for the period		201,646,983	(2,557,819)
Non-controlling interests		(6,076,005)	-
Total equity		244,099,225	79,847,575
Total liabilities and equity		2,283,503,984	1,003,006,922

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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EBEBEK MAĞAZACILIK A.Ş.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022**

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

	Notes	1 January - 31 December 2022	1 January - 31 December 2021
Net sales	19	4,569,147,722	2,062,506,972
Cost of sales (-)	19,20	(2,991,373,285)	(1,393,191,051)
Gross profit		1,577,774,437	669,315,921
Marketing expenses (-)	20	(840,566,910)	(408,208,521)
General administrative expenses (-)	20	(213,439,275)	(96,147,624)
Other income from operating activities	21	9,532,510	10,763,493
Other expenses from operating activities (-)	21	(177,086,685)	(81,126,830)
Operating profit		356,214,077	94,596,439
Income from investment activities	22	1,625,875	3,764,112
Operating profit before financial expense		357,839,952	98,360,551
Financial income	23	-	2,838,132
Financial expense (-)	23	(171,868,159)	(103,541,577)
Profit from continuing operations before tax		185,971,793	(2,342,894)
Current tax expense for the period (-)	24	(34,803,870)	(2,611,797)
Deferred tax income	24	40,833,445	2,396,872
Net profit from continuing operations		192,001,368	(2,557,819)
Profit / (Loss) Distribution			
- Non-controlling interests		(9,645,615)	-
- Equity holders of the parent		201,646,983	(2,557,819)
Earnings per share	26	11,52	(0,15)
OTHER COMPREHENSIVE INCOME			
Not to be reclassified to profit or loss			
Gain/ loss arising from defined benefit plans		(38,430,991)	(4,109,515)
Total taxes on other comprehensive expense that will not be reclassified to profit or loss		7,686,198	1,027,379
To be reclassified to profit or loss			
Currency translation differences		(574,535)	-
OTHER COMPREHENSIVE INCOME		(31,319,328)	(3,082,136)
TOTAL COMPREHENSIVE INCOME		160,682,040	(5,639,955)
Distribution of total comprehensive income			
- Non-controlling interests		(9,645,615)	-
- Equity holders of the parent		170,327,655	(5,639,955)

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

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EBEBEK MAĞAZACILIK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Paid-in capital	Restricted reserves	Other comprehensive income that will not be reclassified in profit or loss Actuarial losses arising from defined benefit plans	Other comprehensive income that be reclassified in profit or loss Currency translation differences	Retained earnings	Net income for the period	Equity holders of the parent	Non-controlling interests	Total equity
Balances as of January 1, 2021	17,500,000	1,572,207	(4,058,299)	-	69,105,552	1,368,070	85,487,530	-	85,487,530
Transfers	-	-	-	-	1,368,070	(1,368,070)	-	-	-
Total comprehensive income	-	-	(3,082,136)	-	-	(2,557,819)	(5,639,955)	-	(5,639,955)
Balances as of 31 December 2021	17,500,000	1,572,207	(7,140,435)	-	70,473,622	(2,557,819)	79,847,575	-	79,847,575
Balances as of January 1, 2022	17,500,000	1,572,207	(7,140,435)	-	70,473,622	(2,557,819)	79,847,575	-	79,847,575
Transfers	-	-	-	-	(2,557,819)	2,557,819	-	-	-
Total comprehensive income	-	-	(30,744,793)	(574,535)	-	201,646,983	170,327,655	(9,645,615)	160,682,040
Effects of business combinations	-	-	-	-	-	-	-	3,569,610	3,569,610
Balances as of 31 December 2022	17,500,000	1,572,207	(37,885,228)	(574,535)	67,915,803	201,646,983	250,175,230	(6,076,005)	244,099,225

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

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EBEBEK MAĞAZACILIK A.Ş.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

	Notes	Current period 2022	Prior period 2021
A. Cash flows from operating activities		247,291,110	197,664,663
Net income for the period		192,001,368	(2,557,819)
Adjustments to reconcile net profit		297,179,898	182,229,057
Depreciation and amortization expenses	11,12,13	107,620,638	78,573,362
Adjustments related to provisions		22,752,870	4,560,738
- Adjustments related to provisions for employee benefits		14,834,035	4,130,270
- Adjustments related to warranty provisions		7,918,835	430,468
Inventory provision	10	5,550,225	654,175
Adjustments related to interest (income)/expenses		168,911,615	101,989,969
- Adjustments related to interest expenses	23	168,911,615	101,989,969
Adjustments regarding to (gain)/loss on sale of fixed assets	22	(1,625,875)	(3,764,112)
Adjustments related to tax (income)/expense	24	(6,029,575)	214,925
Changes in net working capital		(241,890,156)	17,993,425
Adjustments for (increase)/decrease in trade receivables		(24,175,327)	(9,940,491)
Adjustments for (increase)/decrease in inventories		(879,794,542)	(37,111,434)
Adjustments for (increase)/decrease in prepaid expenses		(18,903,755)	(25,244,616)
Adjustments for (increase)/decrease in trade payables		837,254,057	80,503,172
Adjustments for (increase)/decrease in other receivables		(918,620)	1,155,116
Adjustments for Increase (decrease) in employee benefit liabilities		12,266,768	5,117,107
Other adjustments related to decrease (increase) in net working capital		(125,585,509)	6,695,879
Cash generated from operations			
Payments related to provisions for employee benefits	17	(5,712,349)	(2,669,017)
Taxes paid		(36,320,879)	(512,291)
B. Cash flows from investing activities		(159,172,856)	(78,920,522)
Cash inflows from the sale of tangible and intangible assets		3,953,798	6,512,818
- Cash flow from sale of tangible assets		3,944,471	6,512,818
- Cash flow from sale of intangible assets		9,327	-
Cash outflows from the purchase of tangible and intangible assets		(163,126,654)	(72,433,340)
- Cash outflow from purchase of tangible assets	11	(153,131,427)	(64,058,168)
- Cash outflow from purchase of intangible assets	12	(9,995,227)	(8,375,172)
Cash outflows for the acquisition of shares of other companies		-	(13,000,000)
C. Cash flows from financing activities		(57,900,215)	(105,097,548)
Proceeds from borrowings	28	555,040,159	286,342,832
Repayments of borrowings	28	(401,487,127)	(269,083,326)
Cash outflows related to payment of lease liabilities	28	(92,439,351)	(70,413,583)
Interest paid		(119,013,896)	(51,943,471)
Net increase in cash and cash equivalents before currency translation differences (A+B+C)		30,218,039	13,646,593
D. Currency translation differences		(574,535)	-
E. Cash and cash equivalents at the beginning of the period	4	24,062,240	10,415,647
Cash and cash equivalents at the end of the period (A+B+C+D+E)		53,705,744	24,062,240

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

**(CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

EBEBEK MAĞAZACILIK A.Ş

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

Ebebek Mağazacılık A.Ş. (“ebebek” or the “Company”) was established on June 1, 2000 by Halil Erdoğan, as En Ucuz Tekstil Gıda Ürünleri Pazarlama Sanayi ve Tic. Ltd. and registered as incorporated company on August 5, 2010. On December 2, 2011, the majority shares of the Company were acquired by Topbaş Family. On 25 December 2017, the title of the Company was changed to Ebebek Mağazacılık A.Ş. The main operation of the Company is the retailing of mother-baby products under “ebebek” brand. The Company aims to meet all the needs of the mother and the baby from prenatal period to 4 years of age. The Company carries out its sales through stores and e-commerce channels.

The registered address of the Company is İçerenköy Mah. Degirmenyolu Cad. No: 37 D: 6 Ataşehir, İstanbul. The main shareholders of the Company are Topbaş Family.

The Company and its subsidiaries together are referred to as the “Group”.

The Company has 200 stores as of December 31, 2022 (December 31, 2021: 189 stores).

In 2015, the Company acquired Batiege Kozmetik İthalat İhracat Ltd. Şti. (“Batiege”) , a retail merchandising company that owned “Hello Baby” brand. On June 30, 2015 Batiege was merged with ebebek.

On December 17, 2021 ; share purchase agreement was signed to acquire Tuna Çocuk Gereçleri A.Ş.’s (“Tuna Çocuk”) shares with Tuna Çocuk’s shareholders. The Company acquired Tuna Çocuk’s 70% shares for 13.000.000 TRY cash and 32.000.000 TRY contingent liability, totalling 45.000.000 TRY. Tuna Çocuk is producing products in baby vehicles category.

As of December 31, 2022; the number of white-collared personnel of the Company is 380 and the number of blue-collared personnel is 3.165 (December 31, 2021 – white collared: 305, blue collared: 3.027). As of December 31, 2022; the number of white-collared personnel of the Group is 401, the number of blue-collared personnel is 3.262. (December 31, 2021- white collared: 305, blue collared: 3.027)

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EBEBEK MAĞAZACILIK A.Ş

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

Basis of preparation of the financial statements

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, (“TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

The consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on October 4, 2022 by POA and the format and mandatory information recommended by CMB.

POA made a statement on January 20, 2022, in order to eliminate the hesitations about whether the companies applying Turkish Financial Reporting Standards (TFRS) will apply TAS 29 Financial Reporting in High Inflation Economies in the 2021 financial reporting period. Accordingly, it has been stated that the enterprises applying TFRS do not need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies (“TAS 29”), and no new statement has been made by the KGK on the application of TAS 29 afterwards. Considering that no new disclosure has been made as of the date these consolidated financial statements were prepared, no inflation adjustment was made in accordance with TAS 29 while preparing the consolidated financial statements as of 31 December 2022.

Consolidated financial statements are prepared on the historical cost basis. The determination of historical cost is generally based on the fair value of the amount paid for the assets.

Functional Currency and Financial Statement Presentation Currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in TRY, which is the functional currency of ebebek and the presentation currency of the Group.

Financial Statements of Subsidiaries Operating in Foreign Countries

The Financial statements of subsidiaries operating in countries other than Turkey are compiled by the TAS/TFRS promulgated by the POA to reflect the proper presentation and content. Subsidiaries’ assets and liabilities are translated into TRY from the foreign exchange rate at the reporting date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are recognised in the “currency translation difference” under the use of equity. As of December 2022, 18.6983 TRY, 18.7320 TRY and 16.5808 TRY for the period-end purchase, period-end sales and average US dollar exchange rate used during the consolidation in foreign countries, for the Euro exchange rate 19.9349 TRY, 19.9708 TRY, 17,3931 TRY, for British pounds 22,4892 TRY, 22,6065 TRY, 20,3295 TRY were used. (December 31, 2021: 13,3290 TRY, 13,3530 TRY and 8.8799 TRY for the USD exchange rate, 15,0867 TRY, 15,1139 TRY, 10,4665 TRY, 17,9667 TRY for the British pound, 18,0604 TRY, 12,1903 TRY)

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EBEBEK MAĞAZACILIK A.Ş

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

Consolidation Principles

- a) The consolidated financial statements include the accounts of the parent company, ebebek, and its Subsidiaries on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.
- b) Subsidiaries are the companies controlled by ebebek when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by ebebek and its Subsidiaries is eliminated against the related shareholders’ equity. Intercompany transactions and balances between ebebek and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by ebebek in its Subsidiaries are eliminated from shareholders’ equity and income for the year, respectively.

As of 31 December 2022 and 2021, the effective shareholding ratios of ebebek in Subsidiaries included in the scope of consolidation are shown below:

	31 December 2022	31 December 2021
Ebebek Deutschland Retail Services GmbH. (*)	100%	100%
Ebebek USA Retail Services Inc.(**)	100%	100%
Ebebek UK Retail Services LTD (***)	100%	100%
Tuna Çocuk (Note 1)	70%	-

(*) Ebebek Deutschland Retail Services GmbH. was established on 30.04.2021 in Germany with the entire control power belonging to ebebek. The functional currency is Euro.

(**) Ebebek USA Retail Services Inc. was established on 29.04.2021 in the USA in a way that the control power belongs to ebebek. The functional currency is US dollars.

(***) Ebebek UK Retail Services LTD. was established on 16.03.2021 in England, with the control power completely owned by ebebek. Functional currency is British Pounds.

Going concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation (Continued)

Offsetting

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

Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of financial position and performance trends. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when deemed necessary and significant differences are disclosed.

The Group has applied consistent accounting policies in its consolidated financial statements for the periods presented, and there are no significant changes in accounting policies and estimates in the current period.

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively in accordance with the transitional provisions. Changes that do not include any transitional provisions, optional significant changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period if the change is made, if it relates to future periods, both in the period in which the change is made and prospectively.

a) Standards, amendments, and interpretations applicable as of 31 December 2022

- **Amendment to TFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to TFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from annual periods beginning on or after 1 January 2022.
 - **Amendments to TFRS 3, ‘Business combinations’** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation (Continued)

- **Amendments to TAS 16**, ‘Property, plant and equipment’ 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 recognise such sales proceeds and related cost in profit or loss.
- **Amendments to TAS 37**, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, FRS 9, ‘Financial Instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

a) *Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:*

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to TFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to TAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **TFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.2 Summary of significant accounting policies

Significant accounting policies used in the preparation of the financial statements are summarized below. Consistent with prior years, unless otherwise required by the significant accounting policies applied in the preparation of the financial statements.

Related parties

Parties are considered related to the Company if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- Has control or joint control over the reporting entity,
 - Has significant influence over the reporting entity or
 - Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) The Group and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- The Group and the company are members of the same group,
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
 - Both entities are joint ventures of the same third party,
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
 - The Group is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
 - The entity is controlled or jointly controlled by a person identified in (a),
 - A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Financial instruments

Classification and measurement

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

(a) Financial assets recognized at amortized cost

Financial assets that are not quoted in an active market and are not derivative instruments that have fixed or determinable payments, in which management has adopted the contractual cash flow collection business model and the terms of the contract include only the principal and interest payments arising from the principal balance on certain dates, are classified as assets accounted for at amortized cost. . If their maturities are shorter than 12 months from the balance sheet date, they are classified as current assets, and if they are longer than 12 months, they are classified as non-current assets. Assets accounted for at amortized cost include “trade receivables” and “cash and cash equivalents” items in the statement of financial position.

(b) Financial assets accounted for at fair value

Assets for which management has adopted the business model of collecting and/or selling contractual cash flows are classified as assets recognized at fair value. These assets are classified as non-current assets unless management intends to dispose of the related assets within 12 months from the balance sheet date. For investments in equity financial assets, the Group makes a literal choice at initial recognition as an equity investment where the fair value difference of the investment is recognized in other comprehensive income or in the statement of profit or loss:

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Trade payables

Trade payables represent the payments to be made for goods and services provided from suppliers in ordinary activities. Trade payables are measured initially at fair value and subsequently at amortized cost using the effective interest method.

Trade receivables

Trade receivables are initially recorded at their fair values and subsequently measured at amortized cost using the effective interest method (Note 5). If there is a situation that indicates that the Group will not be able to collect the amounts due, a specific risk provision is established for trade receivables. The amount of this provision is the difference between the book value of the receivable and the recoverable amount. The recoverable amount is the discounted value of all cash flows, including the amounts that can be collected from guarantees and guarantees, based on the original effective interest rate of the trade receivable. If the amount of impairment decreases due to a situation that will occur after writing off, the said amount is reflected in the income statement in the current period.

The Group has chosen to apply the “simplified approach” defined in TFRS 9 within the scope of the impairment calculations of its trade receivables (with a maturity of less than 1 year) which are accounted at amortized cost in its consolidated financial statements and do not contain a significant financing component. With this approach, the Group measures the provision for losses on trade receivables at an amount equal to “lifetime expected credit losses”, unless the trade receivables are impaired for certain reasons (other than realized impairment losses).

The Group uses a provision matrix to measure expected credit losses on trade receivables. In the relevant matrix, certain reserve ratios are calculated depending on the number of days the trade receivables are overdue, and these ratios are reviewed in each reporting period and revised when necessary. The change in the expected loan loss provisions is recognized in the “other operating income/(expenses)” account in the income statement.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labour and factory overheads. The cost of borrowings is not included in the costs of inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale (Note 11).

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Revenue recognition

Group fulfills or fulfills a performance obligation by transferring a promised good or service to its customer, it records the revenue in its financial statements. An asset is transferred when (or when) control of an asset is transferred to the customer.

The Group records revenue in its financial statements in line with the following basic principles:

- (a) Determining contracts with customers
- (b) Determining performance obligations in the contract
- (c) Determining the transaction price in the contract
- (d) Allocating the transaction price to the performance obligations in the contract
- (e) Recognition of revenue when each performance obligation is satisfied

Sales of goods – Store and E-Commerce

The Group sells mother and baby clothing & textile, baby room, bath & care, cloth & handkerchief, toys & book products directly to customers in its own stores. In the e-commerce and wholesale channel, when the products are sent to the delivery address, when the control is transferred, it is reflected in the financial statements as income. It is recognized as a receivable in the financial statements at the same time. A receivable is an entity's unconditional right to receive consideration. The right to receive the price is unconditional if the collection of the price depends only on one maturity. Retail sales are recognized as revenue when the customer purchases the goods at the retail store, in other words, when control of the goods is transferred. The transaction price is reflected in the financial statements as soon as the customers receive the goods.

Sales under warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

The Group does not consider the relevant estimates to be significant estimates and assumptions due to the insignificance of the financial effects of the estimates used.

Return of sales

The sale of products to the customer is within 14 days for online sales, and within 7 days for sales made through the store, with the right to return within the framework of the Group's return policies. The Group has not accounted for any provision for returns due to the materiality principle, taking into account the periods determined within the framework of the return policies.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and, if any, accumulated impairment losses.

The cost value of the property, plant and equipment consist of purchase price, import duties and expenses incurred to prepare the property, plant and equipment ready for use.

Property, plant and equipment are depreciated over their expected useful lives using the straight-line method. The expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and if there is a change in estimates, they are accounted for prospectively.

Depreciation is calculated on a pro-rata basis according to the straight-line depreciation method, taking into account the economic life of property, plant and equipment. The depreciation periods are as follows:

Term	(Year)
Buildings	50
Machinery and equipment	3 - 12
Furniture and fixtures	3 - 15
Vehicles	3 - 10
Leasehold improvements	2 - 10

Leasehold improvements are depreciated on a straight-line basis over the shortest of the lease terms or their useful lives.

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if necessary.

Other intangible assets

Other intangible assets purchased by the Group with limited useful lives are recorded at cost less accumulated amortization. Amortization of intangible assets are recognized in profit or loss over their estimated useful lives from the date they are ready for use, using the straight-line depreciation method.

In the current and comparative years, the estimated useful lives of intangible assets are between one and four years. Amortization methods, useful lives and residual values are reviewed at each reporting period and adjusted if necessary.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Business Combinations

Business combinations are accounted for using the acquisition method. In this method, the acquisition cost is measured as the sum of the fair value of the consideration transferred at the acquisition date and the non-controlling interest in the business. The transferred consideration is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, the liabilities assumed by the Group to the previous owners of the business and the equity interests issued by the Group.

If the business combination agreement contains provisions that the cost can be adjusted depending on future events; the acquisition date fair value of this contingent consideration is included in the acquisition cost. All transaction costs incurred by the Group during the acquisition are expensed in the general administrative expenses account.

When the Group acquires a business, it makes classifications and determinations of the acquired financial assets and liabilities based on the contractual provisions, economic conditions and all other relevant conditions at the acquisition date.

The acquisition method requires allocating the acquisition cost to the fair values of the purchased assets, liabilities and contingent liabilities at the date of purchase. The assets, liabilities and contingent liabilities of the acquired companies, determined in accordance with TFRS 3, are reflected to the records at their fair values on the date of purchase. The acquired company is included in the profit or loss statement from the date of acquisition.

Goodwill

Goodwill is measured as the difference between the consideration measured at fair value and the net amount of the fair value of the identifiable assets and liabilities of the acquired company within the scope of TFRS 3

If the consideration measured at fair value is less than the fair value of the net identifiable assets of the company, the difference is recorded as income.

After goodwill is initially recognized, it is accounted with the value after deducting any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if an impairment is likely to occur. Provision for impairment of goodwill is recognized directly in the consolidated statement of profit or loss and other comprehensive income. Provision for impairment of goodwill is not canceled in subsequent periods.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset other than deferred tax asset and financial assets at fair value may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognized immediately in profit or loss.

An impairment loss recognized in prior period for an asset is reversed if there is a subsequent increase in the asset’s recoverable amount. Such a reversal amount cannot be higher than the previously recognized impairment loss.

Borrowings

Borrowings are accounted at the date they are received, after deducting the transaction expenses from the financial debt amount received. After initial recognition, borrowings are accounted in the financial statements with their discounted values calculated with the effective interest rate.

Derecognition of financial instruments

The Group accounts a financial asset or liability only when it is a party to its contractual obligations related to that instrument, and removes the related financial asset or liability from its accounts when its control over the asset or contractual liability ceases.

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

Contingent liabilities and assets

Contingent liabilities are not accounted in the financial statements and are explained in the footnotes if the situation requiring resource transfer is not highly probable. Contingent assets, on the other hand, are disclosed in the footnotes if there is a high probability of generating economic returns.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Employee benefits

Defined benefit plan

In accordance with the current labor law in Turkey, the Group is obliged to pay a certain amount of severance pay to the personnel who quit their job due to retirement after serving at least one year or who are dismissed for reasons other than resignation and bad behavior.

The Group has calculated the severance pay provision in the accompanying financial statements using the "Projection Method" and based on the Group's past experience, and discounted it with the government bond earnings rate at the balance sheet date. All calculated actuarial gains and losses are reflected in other comprehensive income/(expense).

Defined contribution plan

The Group pays compulsory social security premiums to the Social Security Institution in Turkey. The Group has no other obligations as long as it pays these premiums. These premiums are reflected in personnel expenses in the period they are accrued.

Provision for vacation pay liability

Since the Group expects all provision for vacation pay liability to be fulfilled within more than twelve months following the annual reporting period, such provisions are accounted in the long-term provisions for employee benefits.

Premium provision

The Group accounts for premiums to be paid to employees in line with the individual annual performance targets it has determined.

Dividend

Dividend payables are recognized in the separate financial statements in the period they are declared as part of the profit distribution.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Taxes on income

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders’ equity.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

The principal temporary differences arise from the carrying values of property, plant and equipment, various provisions and unused tax allowances and exemptions.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax asset is reviewed in each balance sheet period and in cases where it is not possible to generate sufficient financial profit for future use of deferred tax asset, its carrying value is reduced.

In the calculation of the deferred tax assets and liabilities, the tax rates that will be valid on the dates that the Group considers that these temporary differences can be used are used. If the deferred tax is related to transactions directly associated with equity in the same or different period , it is directly associated with the equity.

Provided that they are subject to the tax legislation of the same country and belong to the same taxpayer, if there is a legally enforceable right to deduct current tax assets from current tax liabilities, deferred tax assets and deferred tax liabilities are mutually offset.

Foreign currency transactions and balances

Transactions in foreign currency during the period are translated into the functional currency at the exchange rates prevailing on the dates of the transactions. The foreign exchange gains and losses arising from the year-end exchange rate conversion of these transactions and monetary assets and liabilities denominated in foreign currency are recognized in the the statement of profit or loss.

Cash flow statement

In the cash flow statement, cash flows for the period are classified and reported on the basis of operating, investing and financing activities.

Cash flows from operating activities represent the cash flows from the Group's operations.

Cash flows related to investing activities represent the cash flows used by the Group in investment activities (fixed assets and financial investments) and obtained from these activities.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Cash flows related to financing activities show the resources used by the Group in financing activities and the repayments of these resources.

Cash and cash equivalents include cash and bank deposits and short-term, highly liquid investments with original maturity of 3 months or less that can be easily converted into cash.

Leases

Right of use assets

The right of use asset is initially recognized at cost comprising of:

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Group, and
- d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The right of use asset is initially recognized at cost comprising of:

- a) After netting-off accumulated depreciation and impairment losses from right of use asset.
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value .

The Group applies TAS16 “Property, Plant and Equipment” to amortize the right of use asset and to asses for any impairment..

The Group applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group’s incremental borrowing rate.

After initial recognition, the lease liability is measured:

- a) Increasing the carrying amount to reflect interest on lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

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NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Extension and early termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment. The Group do not have significant lease contracts with extension and termination options that are not included in the lease liability since they are not reasonably certain.

The Group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment. As result of the evaluations performed in the current period, there is no lease obligation or right of use assets arising from the inclusion of extension and early termination options in the lease period

Variable lease payments

Group’s lease contracts also include variable lease payments which are not in the scope of TFRS 16. Variable lease payments are recognised in profit or loss in the related period.

The duration of the contracts constituting the Group's lease obligations varies between 2 and 10 years.

The Group - as lessor

The Group’s activities as a lessor are not material.

Segment reporting

The Group monitors its main activities under a single operation segment, ensuring integrity for mother-baby needs. The Group makes its strategic decisions under a single roof and does not allocate any special resources. The decisions regarding the Group's activities are regularly reviewed by the competent authority. The authorized authority to take decisions regarding the activities of the Group is the Board of Directors.

2.3 Significant accounting assumptions and estimates

Deferred tax assets and liabilities

Many related transactions and calculations, whose effects on the final tax amount are not certain, take place during the normal course of business, and such situations require the use of significant judgment when determining the income tax provision. The Group records the tax liabilities arising from the taxes that are expected to be paid as a result of tax events. In cases where the final tax results related to these matters differ from the amounts initially recorded, these differences may affect the income tax provision and deferred tax balances in the periods in which they are determined.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 Significant accounting assumptions and estimates (Continued)

Deferred tax liability or assets are determined by calculating the tax effects of temporary differences between the values of assets and liabilities shown in the financial statements and the amounts taken into account in the legal tax base calculation according to the balance sheet method, taking into account the tax rates enacted as of the balance sheet date.

Provision for inventory impairment

While determining the provision for inventories, the net realizable values of the inventories are determined by the Group management in line with the opinions of the sales and technical personnel, and a provision is made for the items that are not expected to be sold in the following period or that are expected to be sold at a price lower than the value of the carried stock. In determining the net realizable value of inventories, data on list sales prices and average discount rates applied during the year are used, and estimates are made regarding the sales expenses to be incurred.

Provision for employee termination benefits

The Group makes lump-sum payments to its personnel who are dismissed due to certain conditions in accordance with the applicable social security laws. When calculating and recording the liabilities related to this defined benefit plan, the Group determines the discount rate to be used, the number of personnel leaving and future salary increases/limits etc. make such assumptions.

Useful lives of tangible and intangible assets

The determination of useful economic lives, which are mainly related to leasehold improvements, includes significant estimates made by Group management.

Warranty provisions

The Group allocates warranty provision for the maintenance, repair, spare parts costs of the products that it carries the warranty obligation due to its importation, and for the compensation of the products that cannot be repaired within three years after the sale.

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NOTE 3 - BUSINESS COMBINATIONS AND GOODWILL

Batı ege acquisition

On December 2, 2014, the company signed a letter of intent with Batıege's shareholders to acquire Batıege and started the review process. Batıege is a retail company operating in the same category as the Company with its "hello baby" brand in a total sales area of 10 thousand m2 with its 4 stores. With the appointments made by the Company after the signing of the letter of intent, the management of Batıege passed under the control of the Company as of January 1, 2015. On March 5, 2015, the type of Batıege was changed to Joint Stock Company, and on March 12, 2015, the approval notification was received from the Competition Board for the acquisition.

Identifiable assets and liabilities are recognized at the following TRY values at the acquisition date:

Fair value of payment for share acquisition	22,512,173
Less: Total identifiable net assets	(4,696,708)

Goodwill **17,815,465**

Goodwill impairment test

The Company has accounted for goodwill arising from the acquisition of Batı Ege in its financial statements. It has been evaluated whether the relevant goodwill is impaired or not. The sensitivity of the +0.5/-0.5% change in the weighted cost of capital used in the impairment test studies was tested. No significant sensitivity was found as a result of this test. As of 31 December 2022, the following assumptions were used in calculating the recoverable amounts: Impairment test was performed over the next 5-year projection based on the business plan of Batı Ege. 20% was used as the pre-tax discount rate.

It has been determined that the aforementioned assets are recoverable and no impairment has occurred.

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NOTE 3 - BUSINESS COMBINATIONS AND GOODWILL (Continued)

Tuna Çocuk acquisition

The Group signed a share transfer agreement with the shareholders of Tuna Çocuk on 17 December 2021 to acquire Tuna Çocuk. The Group has purchased 70% of Tuna Çocuk's shares for TRY 45,000,000, TRY 13,000,000 in cash and TRY 32,000,000 contingent liability, according to a Board of Directors decision of January 19, 2022. Tuna Çocuk is a production company operating as a manufacturer of products in the category of baby vehicles and equipment, and it is aimed at increasing the sales volume of the group in the specified categories after the purchase. Deferred payments related to the acquisition of Tuna Çocuk are the amortized costs of future payments to the seller as of the date of statement of financial position. In the 3-year period following the purchase date, a contingent payment obligation of TRY 32,000,000 in total, based on the financial performance of Tuna Çocuk determined over EBITDA, has been mutually contracted. The fair value calculations employs a 20% discount rate. As of December 31, 2022, the required performances had not been completed, and the probability of realization over the next two years was only partially assessed. The management recorded the deferred payment in the amount of TRY 6,111,111 under long-term liabilities.

The acquired identifiable assets and liabilities are recorded at the following TRY values at the acquisition date:

Fair value of payment for share acquisition	13,000,000
Discounted contingent consideration (Note 14)	6,111,111
Non-controlling interests	3,569,610
Less: Total identifiable net assets	(11,372,644)

Goodwill **11,308,077**

Fair value impact of valuation data

The table below shows the detail and sensitivity effect of significant unobserved data used in the valuation of deferred payments related to the acquisition carried at fair value in the Level 3 hierarchy.

	<u>Fair value</u>	<u>Unobservable data</u>	<u>Data</u>	<u>Fair value impact of unobservable data</u>
Deferred payments for purchase	6,111,111	Risk adjusted discount rate	20%	1 basis point increase/decrease in discount rate, respectively;
		Estimated payment due	In the years 2023-2025	(150,266) TRY and 155,359 TRY.

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NOTE 3 - BUSINESS COMBINATIONS AND GOODWILL (Continued)

Goodwill impairment test

The Company has accounted for goodwill arising from the acquisition of Tuna Çocuk in its financial statements. The sensitivity of the +0.5/-0.5% change in the weighted cost of capital used in the impairment test studies was tested. No significant sensitivity was found as a result of this test. As of 31 December 2022, the following assumptions were used in calculating the recoverable amounts: Impairment test was performed on the next 5-year projection based on Tuna Çocuk's business plan. 20% was used as the pre-tax discount rate.

It has been determined that the aforementioned assets are recoverable and no impairment has occurred.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash	5,129,319	1,563,809
Banks		
- Demand deposits	28,424,989	1,366,386
Credit card receivables (*)	20,151,436	21,132,045
	53,705,744	24,062,240

(*) Includes credit card receivables resulting from retail sales transactions with a collection period of less than one month.

As of 31 December 2022, there is no blockage on bank accounts (31 December 2021: None). As of 31 December 2022, there are no time deposits. (31 December 2021: None).

The credit risks of the banks where the Group has deposits are evaluated by taking into account independent data and no significant credit risk is expected. The fair values of cash and cash equivalents approximate their carrying values.

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables	31 December 2022	31 December 2021
Short-term trade receivables		
Trade receivables	25,548,642	11,917,666
Note receivables (*)	10,544,351	-
Less : Provisions for doubtful trade receivables	(488,384)	(488,384)
Total trade receivables	35,604,609	11,429,282

(*) Consists of short-term customer checks of Tuna Çocuk, a fully consolidated subsidiary of the Company.

The Group has no overdue trade receivables as of 31 December 2022 (31 December 2021: None).

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables

	31 December 2022	31 December 2021
Short-term trade payables:		
Trade payables to third parties	1,334,622,052	495,133,115
Trade payables to related parties (Note 25)	41,817,192	33,982,877
Less: Unearned credit finance expense (*)	(28,876,602)	(18,807,407)
Total trade payables	1,347,562,642	510,308,585

Trade payables consist of payables to different suppliers due to the purchase of trade goods and services. Average due dates of short-term trade payables is 112 days (31 December 2021 – 121 days).

(*) Unearned finance expense is calculated for the forward purchases related with trade payables of the Group. The rate used in this method and determined on the basis of compound interest is called the "effective interest rate"; the aforementioned rate was used as 20% for 31 December 2022 and 18.90% for 31 December 2021.

NOTE 6 – PREPAID EXPENSES

	31 December 2022	31 December 2021
Short-term prepaid expenses:		
Advances given inventories	72,825,135	33,761,762
Advances given for acquisition (*)	-	13,000,000
Job advances	3,531,744	2,104,223
Prepaid insurance expenses	294,782	172,126
Other	5,847,650	2,639,480
Total short-term prepaid expenses	82,499,311	51,677,591

	31 December 2022	31 December 2021
Long-term prepaid expenses:		
Advances given for purchase property, plant and equipment	1,258,085	176,050
Total long-term prepaid expenses	1,258,085	176,050

(*) Consists of advances given to shareholders of Tuna Çocuk for acquisition. The acquisition occurred in January 2022.

NOTE 7 - OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
Deferred VAT	143,929,266	42,388,138
Other	1,221,309	209,833
Total other current assets	145,150,575	42,597,971

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NOTE 8 - OTHER RECEIVABLES

	31 December 2022	31 December 2021
Short-term other receivables:		
Investment support receivables	3,290,410	4,278,009
Other	1,646,163	155,022
Total short-term other receivables	4,936,573	4,433,031

	31 December 2022	31 December 2021
Long-term other receivables:		
Deposits and guarantees given	619,458	204,380
Total long-term other receivables	619,458	204,380

NOTE 9 - DEFERRED INCOME

	31 December 2022	31 December 2021
Short-term deferred income:		
Gift cards(*)	10,659,326	5,410,050
Deferred investment support income (**)	6,893,657	6,746,043
Other	1,350,949	2,503,434
Total short-term deferred income	18,903,932	14,659,527

	31 December 2022	31 December 2021
Long-term deferred income:		
Deferred investment support income (**)	3,762,922	1,559,145
Total long-term deferred revenues	3,762,922	1,559,145

(*) The unused portion of the checks which are purchased by customers, obtained due to shopping returns or deserved during campaigns; is accounted in the “Gift cards” account..

(**) Investment supports are received from property owners of new stores rented in some shopping centers. These investment supports, which are paid in advance or provided to the Group through a lease-free period for a certain period, are recorded as deferred income and are recognized as income on a pro-rata basis for the minimum period that the Group undertakes to remain as a tenant in this property.

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NOTE 10 - INVENTORIES

	31 December 2022	31 December 2021
Trade goods	1,354,048,486	509,862,291
Raw materials and supplies	16,190,345	-
Work in progress	5,179,247	-
Finished goods	2,970,676	-
Other inventories	18,455,643	7,187,564
Less: Provisions for inventories	(7,622,266)	(2,072,041)
Total inventories	1,389,222,131	514,977,814

As of 31 December 2022, there is no pledge/mortgage on inventories (31 December 2021: None)

Provisions for inventories were accounted for in the cost of sales account.

	2022	2021
1 January	2,072,041	1,417,866
Reversal of provision	(2,072,041)	(1,417,866)
Provisions for inventories	7,622,266	2,072,041
31 December	7,622,266	2,072,041

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Transfers	Disposals	Acquisition	31 December 2022
Cost						
Buildings	1,071,182	-	-	-	-	1,071,182
Machinery and equipment	1,620,052	15,452,692	-	-	17,547,000	34,619,744
Furniture and fixtures	127,942,921	55,758,269	3,559,902	(3,924,102)	-	183,336,990
Vehicles	427,000	8,581,364	-	(234,075)	1,400,000	10,174,289
Leasehold improvements	132,078,430	65,071,443	-	(3,401,846)	-	193,748,027
Construction in progress	3,671,910	8,267,659	(3,559,902)	-	-	8,379,667
	266,811,495	153,131,427	-	(7,560,023)	18,947,000	431,329,899
Accumulated depreciation						
Buildings	(249,559)	(17,737)	-	-	-	(267,296)
Machinery and equipment	(458,585)	(4,234,980)	-	-	-	(4,693,565)
Furniture and fixtures	(60,374,032)	(19,265,743)	-	2,339,102	-	(77,300,673)
Vehicles	(213,500)	(964,723)	-	234,074	-	(944,149)
Leasehold improvements	(58,736,685)	(28,066,540)	-	2,668,251	-	(84,134,974)
	(120,032,361)	(52,549,723)	-	5,241,427	-	(167,340,657)
Net book value	146,779,134					263,989,242
	1 January 2021	Additions	Transfers	Disposals	31 December 2021	
Cost						
Buildings	1,071,182	-	-	-	-	1,071,182
Machinery and equipment	780,938	839,114	-	-	-	1,620,052
Furniture and fixtures	98,393,502	33,306,162	-	(3,756,743)	-	127,942,921
Vehicles	427,000	-	-	-	-	427,000
Leasehold improvements	107,590,779	26,727,012	-	(2,239,361)	-	132,078,430
Construction in progress	486,030	3,185,880	-	-	-	3,671,910
	208,749,431	64,058,168	-	(5,996,104)		266,811,495
Accumulated depreciation						
Buildings	(231,822)	(17,737)	-	-	-	(249,559)
Machinery and equipment	(352,596)	(105,989)	-	-	-	(458,585)
Furniture and fixtures	(44,913,530)	(17,174,220)	-	1,713,718	-	(60,374,032)
Vehicles	(128,100)	(85,400)	-	-	-	(213,500)
Leasehold improvements	(43,411,049)	(16,859,316)	-	1,533,680	-	(58,736,685)
	(89,037,097)	(34,242,662)	-	3,247,398		(120,032,361)
Net book value	119,712,334					146,779,134

As of 31 December 2022, there are no guarantees, pledges and mortgages on property, plant and equipment. (31 December 2021: None).

The distribution of depreciation expenses is given in Note 20.

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2022	Additions	Disposals	31 December 2022
Cost				
Rights	1,159,573	-	(11,245)	1,148,328
Other intangible assets (*)	30,031,915	9,995,227	(41,194)	39,985,948
	31,191,488	9,995,227	(52,439)	41,134,276
Accumulated depreciation				
Rights	(999,490)	(59,496)	1,918	(1,057,068)
Other intangible assets (*)	(20,422,818)	(6,859,075)	41,194	(27,240,699)
	(21,422,308)	(6,918,571)	43,112	(28,297,767)
Net book value	9,769,180			12,836,509
	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Rights	814,224	345,349	-	1,159,573
Other intangible assets (*)	22,030,505	8,029,823	(28,413)	30,031,915
	22,844,729	8,375,172	(28,413)	31,191,488
Accumulated depreciation				
Rights	(622,558)	(376,932)	-	(999,490)
Other intangible assets (*)	(15,656,336)	(4,794,895)	28,413	(20,422,818)
	(16,278,894)	(5,171,827)	28,413	(21,422,308)
Net book value	6,565,835			9,769,180

(*) Other intangible assets mainly consist of software licenses.

As of 31 December 2022, there is no guarantee, pledge or mortgage on intangible assets (31 December 2021: None).

The distribution of amortization expenses is given in Note 20.

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NOTE 13 – RIGHT OF USE ASSETS

	Vehicles	Buildings	Total
Cost			
1 January 2022	7.321.354	268.180.979	275.502.333
Additions	420,758	91,005,161	91,425,919
Disposals	(382,939)	(10,824,653)	(11,207,592)
31 December 2022	7,359,173	348,361,487	355,720,660
Accumulated depreciation			
1 January 2022	5,090,903	92,476,313	97,567,216
Additions	2,264,286	45,888,058	48,152,344
Disposals	(382,939)	(3,949,410)	(4,332,349)
31 December 2022	6,972,250	134,414,961	141,387,211
Total	386,923	213,946,526	214,333,449

	Vehicles	Buildings	Total
Cost			
1 January 2021	7,321,354	195,397,314	202,718,668
Additions	-	77,848,067	77,848,067
Disposals	-	(5,064,402)	(5,064,402)
31 December 2021	7,321,354	268,180,979	275,502,333
Accumulated depreciation			
1 January 2021	2,435,927	57,351,041	59,786,968
Additions	2,654,976	36,503,897	39,158,873
Disposals	-	(1,378,625)	(1,378,625)
31 December 2021	5,090,903	92,476,313	97,567,216
Total	2.230.451	175.704.666	177.935.117

The distribution of depreciation expenses is given in Note 20.

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NOTE 14 - SHORT AND LONG TERM BORROWINGS

31 December 2022	Maturity	Effective rate (%)	TRY
Short-term borrowings			
Short-term unsecured loans	02.01.2023 - 18.12.2023	24,7	276,174,807
Credit card payables			39,453,998
Total			315,628,805
31 December 2022			
TRY			
Short-term portions of long-term borrowings			
Lease liabilities	01.01.2023-31.12.2023	20,00	41,178,468
Total			41,178,468
31 December 2022			
TRY			
Long-term borrowings			
Lease liabilities	01.01.2024 - 30.06.2032	20,00	203,136,144
Total			203,136,144
31 December 2021			
TRY			
Short-term borrowings			
Short-term unsecured loans	03.01.2022 - 26.12.2022	22,1	135,856,290
Credit card payables			24,690,595
Total			160,546,885
31 December 2021			
TRY			
Short-term portions of long-term borrowings			
Lease liabilities	01.01.2022 – 31.12.2022	20,00	32,418,885
Total			32,418,885

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NOTE 14 - SHORT AND LONG TERM BORROWINGS (Continued)

31 December 2021	Maturity range	Effective rate (%)	TRY
Long-term borrowings			
Long-term unsecured loans	13.01.2023 - 26.04.2023	8,24	5,627,257
Lease liabilities	01.01.2023 - 30.06.2031	20,00	165,788,321
Total			171,415,578

As of 31 December 2022 and 2021, the Group's loan contracts do not include any covenants.

It is assumed that the carrying values of borrowings approximate to their fair values.

NOTE 15 – OTHER SHORT-TERM AND LONG-TERM LIABILITIES

	31 December 2022	31 December 2021
Taxes and funds payable	6,694,629	4,992,910
Other	304,277	24,918
Total other current liabilities	6,998,906	5,017,828
	31 December 2022	31 December 2021
Deferred payments related to acquisition (*)	6,111,111	-
Total other long-term liabilities	6,111,111	-

(*) Deferred payments regarding the acquisition of Tuna Çocuk are the amortized cost value of future payments to the seller as of the balance sheet date. In the 3-year period following the acquisition date, a contingent payment obligation of TRY 32,000,000 in total, based on the financial performance of Tuna Çocuk determined over EBITDA, has been mutually contracted. A 20% discount rate is used in the fair value calculation. The management accounted for the deferred payment amounting to TRY 6,111,111 under long-term liabilities since the required performances did not occur as of 31 December 2022 and the probability of realization within the following two years was partially evaluated.

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NOTE 16 - COMMITMENTS

The Group's collateral/pledge/mortgage ("CPM") position as of 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
A. Total amount of CPM given in the name of its own legal entity	64,810,294	31,255,388
B. Total amount of CPM's given in favor of partnerships included in full consolidation	-	-
C. Total amount of CPM's given to other 3rd parties for the purpose of carrying out ordinary commercial activities	-	-
D. Total amount of other CPMs given	-	-
	64,810,294	31,255,388

	31 December 2022		31 December 2021	
	Original currency	TRY	Original currency birimi	TRY
	TRY	48,974,620	TRY	17,383,145
	USD	6,592,020	USD	6,136,221
	EUR	9,243,654	EUR	7,736,022
		64,810,294		31,255,388

Guarantee letters

a) Collaterals given as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Guarantee letters	64,810,294	31,255,388
	64,810,294	31,255,388

b) Collateral received as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Guarantee letters	20,000,000	150,000
	20,000,000	150,000

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NOTE 17 - EMPLOYEE BENEFITS

Employee benefit obligations

	31 December 2022	31 December 2021
Salaries and bonuses payable	10,413,457	3,558,446
Social security payables	10,332,233	4,920,476
	20,745,690	8,478,922

Long-term provisions for employee benefits

	31 December 2022	31 December 2021
Provision for unused vacations	9,740,046	5,604,654
	9,740,046	5,604,654

	31 December 2022	31 December 2021
Provisions for employee termination benefits	48,428,040	5,010,755
	48,428,040	5,010,755

In accordance with the current labor law in Turkey, the Group is obliged to pay a certain amount of severance pay to personnel who quit their job due to retirement or are dismissed for reasons other than resignation and bad behavior. For each year of employment, these compensations amount to 30 days' pay, depending on the employee's pay at the time of termination or dismissal. As of December 31, 2022 and December 31, 2021, the ceiling of severance pay is TRY 19,982.83 and TRY 10,849.59, respectively. The severance pay ceiling is revised semi-annually, and the maximum amount of 19,982.83 TRY effective from 1 January 2023 has been taken into account in the calculation of the severance pay provision of the Group (1 January 2022: 10,849.59 TRY). The cost of providing these benefits is accrued over the service period of the staff. The Group uses the Projection Method, which envisages recording the severance pay based on the estimated inflation rates and the factors arising from the Group's own experience regarding the dismissal or termination of the personnel, at the discounted net value using the government bond rates valid at the balance sheet date. and reflected in the consolidated financial statements as of 31 December 2022 and 31 December 2021.

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. Therefore, the provisions in the accompanying consolidated financial statements as of 31 December 2022 are calculated by estimating the present value of the probable future obligation arising from the retirement of the employees. Calculated using the real discount rate obtained as (0.93%) (31 December 2021: 3.74%). The interest cost arising from the fact that the discounted severance pay provision is one year closer to the payment date at the beginning of the period is calculated using the real discount rate. The current service cost is calculated by dividing the employee's reduced severance pay for each employee by the total working time, multiplying by the working time in the current year, and applying the severance pay to the amount found.

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NOTE 17 - EMPLOYEE BENEFITS (Continued)

	31 December 2022	31 December 2021
Net discount rate (%)	(0,93)	3,74
Turnover rate related the probability of retirement (%)	93,47	96,53

Movements in the provisions for employment termination benefits during the period are as follows:

	2022	2021
1 January	5,010,755	1,025,472
Interest expense	3,173,898	1,013,676
Service cost	7,524,745	1,531,109
Payments during the period	(5,712,349)	(2,669,017)
Actuarial losses/ (gain)	38,430,991	4,109,515
31 December	48,428,040	5,010,755

NOTE 18 - EQUITY

Paid-in capital

The Company's capital consists of 17.500.000 shares, each of which is 1 TRY, and its nominal value is 17,500,000 TRY.

As of 31 December 2022 and 2021, the Company's shareholders and their shares in the capital are as follows:

	31 December 2022		31 December 2021	
	Share rate (%)	Share amount (TRY)	Share rate (%)	Share amount (TRY)
Ahmet Afif Topbaş	25,59	4,477,500	25,59	4,477,500
Mahmud Muhammed Topbaş	19,60	3,429,500	19,60	3,429,500
Musa Topbaş	19,59	3,427,500	19,59	3,427,500
Halil Erdoğan	13,42	2,349,000	13,42	2,349,000
Fatma Hande Topbaş	7,43	1,300,000	7,43	1,300,000
Fatma Zehra Ülker	7,43	1,300,000	7,43	1,300,000
Kemal Anthony Hatoum	4,91	860,047	4,91	860,047
Mustafa Latif Topbaş	0,54	95,000	0,54	95,000
Other	1,49	261,453	1,49	261,453
	100	17,500,000	100	17,500,000

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NOTE 18 - EQUITY (Continued)

Restricted reserves consist of legal reserves. According to the Turkish Commercial Code, legal reserves are divided into first and second legal reserves. According to the Turkish Commercial Code, primary legal reserves are set aside at 5% of the legal net profit until 20% of the paid-in capital of the company is reached. The second order legal reserves are 10% of the distributed profit, exceeding 5% of the paid-in capital. According to the Turkish Commercial Code, legal reserves can only be used to offset losses as long as they do not exceed 50% of the paid-in capital; they cannot be used in any other way.

NOTE 19 - NET SALES AND COST OF SALES

	1 January - 31 December 2022	1 January - 31 December 2021
Goods and Services Sales		
- Store sales	3,902,885,623	1,710,857,035
- E-commerce sales	686,301,930	376,334,483
- Other sales	183,707,501	63,533,646
Gross sales	4,772,895,054	2,150,725,164
Sales returns and discounts (-)	(203,747,332)	(88,218,192)
Net sales	4,569,147,722	2,062,506,972
Domestic sales	4,568,961,276	2,062,506,972
Sales abroad	186,446	-
Cost of sales	(2,991,373,285)	(1,393,191,051)
Gross profit	1,577,774,437	669,315,921

All of the Group product sales revenues consist of instant revenues.

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NOTE 20 – EXPENSES BY NATURE

Marketing expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	344,420,501	167,842,491
Advertising and promotion expenses	90,514,891	45,589,315
Depreciation and amortization expenses	77,907,074	68,769,465
Energy expenses	78,428,234	19,465,735
Rent expenses	60,981,158	15,058,032
Cargo expenses	45,855,799	25,383,966
Transportation expenses	40,246,889	15,555,986
Storage expenses	23,585,555	13,501,958
Packaging materials	23,000,679	7,563,055
Maintenance and repair expenses	10,039,053	3,889,218
Other	45,587,077	25,589,300
Total	840,566,910	408,208,521

General administrative expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	122,735,172	54,926,911
Depreciation and amortization expenses	25,082,135	9,803,897
Information technologies expenses	24,192,564	12,214,232
Human resources expenses	9,111,508	3,513,875
Vehicle expenses	7,968,350	4,470,134
Consultancy expenses	7,029,930	3,723,172
Taxes and fees expenses	3,554,436	1,299,249
Energy expenses	1,204,577	325,196
Other	12,560,603	5,870,958
Total	213,439,275	96,147,624

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NOTE 20 – EXPENSES BY NATURE (Continued)

	1 January - 31 December 2022	1 January – 31 December 2021
Cost of trade goods sold	2,887,442,210	1,393,191,051
Personnel expenses	490,794,275	222,769,402
Depreciation and amortization expenses	107,620,638	78,573,362
Advertising and promotion expenses	90,514,891	45,589,315
Energy expenses	81,089,446	19,790,931
Cargo expenses	46,303,275	25,502,623
Transportation expenses	40,246,889	15,555,986
Storage expenses	23,598,799	13,501,958
Other	277,769,047	83,072,568
Total expenses by nature	4,045,379,470	1,897,547,196

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses		
Cost of sales	23,638,602	-
Marketing expenses	344,420,501	167,842,491
General administrative expenses	122,735,172	54,926,911
Total	490,794,275	222,769,402

	1 January - 31 December 2022	1 January - 31 December 2021
Depreciation and amortization expenses		
Cost of sales	4,631,429	-
Marketing expenses	77,907,074	68,769,465
General administrative expenses	25,082,135	9,803,897
Total	107,620,638	78,573,362

NOTE 21 – OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Investment support income	5,507,872	2,671,572
Foreign exchange gains	-	445,897
Other	4,024,638	7,646,024
Other operating income	9,532,510	10,763,493

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NOTE 21 – OTHER OPERATING INCOME AND EXPENSES (Continued)

	1 January - 31 December 2022	1 January - 31 December 2021
Credit finance charges arising from purchases	(161,102,255)	(74,322,106)
Foreign exchange losses	(6,779,446)	(2,665,903)
Other	(9,204,984)	(4,138,821)
Other operating expenses	(177,086,685)	(81,126,830)

NOTE 22 – INCOME FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2022	1 January - 31 December 2021
Income from sales of property plant and equipment	1,625,875	3,764,112
Income from investment activities	1,625,875	3,764,112

NOTE 23 - FINANCIAL INCOME AND EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains	-	2,838,132
Financing income	-	2,838,132

	1 January - 31 December 2022	1 January - 31 December 2021
Credit card commission expenses	(59,585,643)	(29,433,968)
Loan fund commission expenses	(55,329,891)	(30,603,381)
Lease liabilities interest expenses	(53,996,081)	(41,952,620)
Other	(2,956,544)	(1,551,608)
Financing expenses	(171,868,159)	(103,541,577)

NOTE 24 - TAX ASSETS AND LIABILITIES

	31 January 2022	31 January 2021
Corporate tax payable	34,803,870	2,611,797
Less: Prepaid taxes	(34,799,921)	(1,090,839)
Current period tax liabilities	3,949	1,520,958

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NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

	1 January - 31 December 2022	1 January – 31 December 2021
Current period income tax expense	(34.803.870)	(2.611.797)
Deferred tax (income)/expense	40.833.445	2.396.872
Tax income / (expense)	6.029.575	(214.925)

In Turkey, the corporate tax rate is 23% (2021: 25%). Corporate tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

The law amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2023, Law No. it has been enacted with the number 7352, and it has been decided that the financial statements will not be subject to inflation adjustment in the 2022 and 2023 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of Repeated Article 298 are met.

Deferred taxes

The Group calculates its deferred tax assets and liabilities by taking into account the effects of temporary differences between the financial statements prepared in accordance with TFRS and the statutory financial statements. These temporary differences generally arise from the recognition of income and expenses in different reporting periods in accordance with TFRS Financial Reporting Standards and Tax Laws.

As of 31 December 2022 and 2021, the breakdown of accumulated temporary differences and deferred tax assets/(liabilities) using the applicable tax rates is as follows:

	<u>Temporary differences</u>		<u>Deferred tax asset</u>	
	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Inventories	(7,622,266)	(2,072,041)	1,524,453	414,408
Property, plant and equipment and intangible assets	(121,337,074)	33,672,900	24,267,415	(6,734,580)
Trade and other payables	(11,428,838)	1,452,499	2,285,768	(290,500)
Employee benefits	(58,168,086)	(10,615,409)	11,633,617	2,123,082
Warranty provisions	(14,536,459)	(6,614,175)	2,907,292	1,322,835
Right of use assets and lease liabilities	(29,981,163)	(20,272,089)	5,996,233	4,054,418
Other	5,288,330	(1,300,018)	(1,057,666)	260,004
Deferred tax asset, net			47,557,112	1,149,667

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NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

Movement of deferred tax assets during the period is as follows:

	2022	2021
1 January	1,149,667	(2,274,584)
Recognized in consolidated statement of profit or loss	40,833,445	2,396,872
Recognized in consolidated statement of other comprehensive income	7,686,198	1,027,379
Acquisition	(2,112,198)	-
31 December	47,557,112	1,149,667

The reconciliation of current period tax expense is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Profit before tax	185,971,793	(2,342,894)
Tax calculated	(42,773,512)	585,724
Effect of disallowable expenses	(6,368,958)	(6,192,739)
Fixed assets valuation effect (*)	58,483,570	8,481,412
Other	(3,311,525)	(3,089,322)
Total tax income / (expense)	6,029,575	(214,925)

(*) With the regulation published in the Official Gazette dated June 9, 2022, Provisional Article 32 of the Tax Procedure Law No. 213 was updated, providing the opportunity to revalue the immovables registered to companies and other economic assets subject to depreciation if they comply with the determined conditions and provisions. The Group has revalued its fixed assets in accordance with this article in the books prepared in accordance with the tax procedure law. Within the scope of the aforementioned law, a deferred tax asset has been created in the statement of financial position based on the revaluation records in the legal book, and the deferred tax income related to this has been recorded in the consolidated statement of profit or loss.

NOTE 25 - RELATED PARTY DISCLOSURES

As of 31 December 2022 and 2021, balances due to and due to related parties and a summary of transactions with related parties during the period are presented below:

i) Related party balances as of 31 December 2022 and 2021:

a) Trade and other receivables from related parties

As of 31 December 2022, the Group has no trade and other receivables from related parties. (31 December 2021: None)

Related parties whose transaction details are given below are managed by the shareholders of the Group.

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NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

b) Trade payables to related parties

	31 December 2022	31 December 2021
Hedef Tüketim Ürün. San. Dış Tic. A.Ş.	25,917,846	27,660,724
Turkuvaz Plastik ve Tem, Ürün, San, Tic, A,Ş,	13,690,070	5,623,188
Seranit Granit Seramik San, Ve Tic, A,Ş,	1,576,528	349,058
Avansas Ofis Malzemeleri Ticaret A,Ş,	602,497	349,907
Proline Bilişim Sistemleri Ve Ticaret A,Ş,	25,801	-
Anadolu Ulaşım A,Ş,	4,450	-
Total	41,817,192	33,982,877

ii) Transactions with related parties

a) Purchases from related parties

	Trade goods	Intangible Rights/Assets	Leases	Other assets	Insurance	Other Services	31 December 2022
Ersigorta Aracılık Hizmetleri Ltd, Şti,	-	-	-	-	329,909	-	329,909
Anadolu Ulaşım A,Ş,	-	-	1,494,654	-	-	137,207	1,631,861
Proline Bilişim Sistemleri Ve Ticaret A,Ş,	-	740,739	-	-	-	-	740,739
Avansas Ofis Malzemeleri Ticaret A,Ş,	14,651,669	-	-	-	-	2,482,658	17,134,327
Hedef Tüketim Ürün, San, Dış Tic, A,Ş,	38,563,937	-	-	-	-	-	38,563,937
Bim Birlesik Magazalar A,S,	-	-	-	2,584,200	-	12,414	2,596,614
Seranit Granit Seramik San, Ve Tic, A,Ş,	-	-	-	6,943,984	-	-	6,943,984
Evidea Mağazacılık A,Ş,	-	-	1,218,781	-	-	827,499	2,046,280
Aktül Kağıt Üretim Paz, A,Ş,	-	-	-	-	-	1,078	1,078
Total:	53,215,606	740,739	2,713,435	9,528,184	329,909	3,460,856	69,988,729

	Trade goods	Intangible Rights/Assets	Leases	Other assets	Insurance	Other Services	31 December 2021
Ersigorta Aracılık Hizmetleri Ltd, Şti,	-	-	-	-	57,135	-	57,135
Anadolu Ulaşım A,Ş,	-	-	746,940	-	-	39,824	786,764
Proline Bilişim Sistemleri Ve Ticaret A,Ş,	-	4,030,305	-	-	-	-	4,030,305
Avansas Ofis Malzemeleri Ticaret A,Ş,	-	-	-	-	-	1,728,989	1,728,989
Hedef Tüketim Ürün, San, Dış Tic, A,Ş,	8,166,724	-	-	-	-	-	8,166,724
Turkuvaz Plastik ve Tem, Ürün, San, Tic, A,Ş,	23,952,376	-	-	-	-	-	23,952,376
Seranit Granit Seramik San, Ve Tic, A,Ş,	-	-	-	2,017,660	-	24,884	2,042,544
Evidea Mağazacılık A,Ş,	-	-	656,827	-	-	396,615	1,053,442
Aktül Kağıt Üretim Paz, A,Ş,	-	-	-	-	-	2,034	2,034
Total:	32,119,100	4,030,305	1,403,767	2,017,660	57,135	2,192,346	41,820,313

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NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

b) Sales to related parties

	Product	Leases	Other Services	31 December 2022
Proline Bilişim Sistemleri Ve Ticaret A.Ş.	-	-	42,313	42,313
Avansas Ofis Malzemeleri Ticaret A.Ş.	-	-	341,460	341,460
Hedef Tüketim Ürün. San. Dış Tic. A.Ş.	15,514,091	-	2,752	15,516,843
Bim Birlesik Magazalar A.S.	-	-	2,021	2,021
Evidea Mağazacılık A.Ş.	-	2,845,010	1,514,544	4,359,554
Aktül Kağıt Üretim Paz. A.Ş.	55,860	-	-	55,860
	15,569,951	2,845,010	1,903,090	20,318,051

	Product	Leases	Other Services	31 December 2021
Proline Bilişim Sistemleri Ve Ticaret A.Ş.	-	-	76,469	76,469
Avansas Ofis Malzemeleri Ticaret A.Ş.	-	-	1,703	1,703
Hedef Tüketim Ürün. San. Dış Tic. A.Ş.	-	-	5,761	5,761
Evidea Mağazacılık A.Ş.	-	1,704,294	380,014	2,084,308
Aktül Kağıt Üretim Paz. A.Ş.	27,226	-	-	27,226
	27,226	1,704,294	463,947	2,195,467

iv) Other transactions with related parties for the accounting period 1 January - 31 December 2022:

Benefits including wages and premiums provided to key management during the period are as follows;

	1 January - 31 December 2022	1 January - 31 December 2021
Short-term benefits to management (*)	4,370,694	2,578,169

(*) All of the benefits provided to the key management (includes the general manager and members of the Board of Directors) within the period from 1 January to 31 December 2022 and 2021 are short-term benefits.

NOTE 26 - EARNINGS PER SHARE

	31 December 2022	31 December 2021
Average number of shares available during the period	17,500,000	17,500,000
Net profit / (loss) for the year attributable to shareholders of the Company	201,646,983	(2,557,819)
Earnings per share	11,52	(0,15)

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NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group is exposed to various financial risks due to its activities. These risks are market risk, currency risk, interest rate risk, price risk and cash flow interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the volatility of financial markets and minimizing the possible adverse effects on the Group's financial performance.

Risk management is implemented within the framework of policies approved by the Group Board of Directors.

a) Market risk

Currency risk

As the functional currency of the Group is TRY, the Group monitors its foreign exchange risk by analyzing the foreign currency denominated assets and liabilities. The Group follows and mitigates the foreign currency risk by analyzing currency position.

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NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2022 and 2021, the amounts of the Group's foreign currency assets and liabilities and their TRY provisions are as follows:

	31 December 2022			
	TRY Equivalent	USD	EUR	GBP
1. Trade receivables	-	-	-	-
2a. Monetary financial assets	139,551	5,309	1,337	606
3. Other	-	-	-	-
4. Current assets (1+2+3)	139,551	5,309	1,337	606
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	139,551	5,309	1,337	606
10. Trade payables	16,497,914	464,578	370,822	17,244
11. Financial liabilities	-	-	-	-
12a. Other monetary obligations	-	-	-	-
12b. Other non-monetary obligations	-	-	-	-
13. Short-term liabilities (10+11+12)	16,497,914	464,578	370,822	17,244
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary obligations	-	-	-	-
16b. Other non-monetary obligations	-	-	-	-
17. Long-term liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	16,497,914	464,578	370,822	17,244
19. Net asset/ (liability) position of off-balance sheet derivative instruments	-	-	-	-
20. Net foreign currency asset/ (liability) position (9-18+19)	(16,358,363)	(459,269)	(369,485)	(16,638)

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NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2022 and 2021, the amounts of the Group's foreign currency assets and liabilities and their TRY provisions are as follows:

	31 December 2021			
	TRY Equivalent	USD	EUR	GBP
1. Trade receivables	-	-	-	-
2a. Monetary financial assets	353,431	11,473	10,522	2,324
3. Other	-	-	-	-
4. Current assets (1+2+3)	353,431	11,473	10,522	2,324
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	353,431	11,473	10,522	2,324
10. Trade payables	12,072,283	530,007	327,720	2,324
11. Financial liabilities	-	-	-	-
12a. Other monetary obligations	-	-	-	-
12b. Other non-monetary obligations	-	-	-	-
13. Short-term liabilities (10+11+12)	12,072,283	530,007	327,720	2,324
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary obligations	-	-	-	-
16b. Other non-monetary obligations	-	-	-	-
17. Long-term liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	12,072,283	530,007	327,720	2,324
19. Net asset/ (liability) position of off-balance sheet derivative instruments	-	-	-	-
20. Net foreign currency asset/ (liability) position (9-18+19)	(11,718,852)	(518,534)	(317,198)	-

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**NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

The analysis of foreign currency sensitivity at 31 December 2022 and 2021 is as follows:

	Profit/loss	Profit/loss
	Foreign currency	Foreign currency
	appreciation	depreciation
31 December 2022		
Increase/decrease in the USD against TRY by 10%		
1- USD net asset/(liability)	(858,756)	858,756
2- . USD hedged from risks (-)	-	-
3- USD net effect (1+2)	(858,756)	858,756
Increase/decrease in the EUR against TRY by 10%		
4- EuUR net asset/(liability)	(736,563)	736,563
5- EUR hedged from risks (-)	-	-
6- EUR net effect (4+5)	(736,563)	736,563
Increase/decrease in the GDP against TRY by 10%		
4- GBP net asset/(liability)	(37,418)	37,418
5- . GBP hedged from risks (-)	-	-
6- GBP net effect (4+5)	(37,418)	37,418
Total net effect	(1,632,737)	1,632,737
	Profit/loss	Profit/loss
	Foreign currency	Foreign currency
	appreciation	devaluation
31 December 2021		
In case of 10% appreciation/loss of US Dollar against TRY:		
1- USD net asset/(liability)	(691,154)	691,154
2- USD hedged from risks (-)	-	-
3- USD net effect (1+2)	(691,154)	691,154
In case of a 10% appreciation/depreciation of Euro against TRY:		
4- EUR net asset/(liability)	(478,547)	478,547
5- EUR hedged from risks (-)	-	-
6- EUR net effect (4+5)	(478,547)	478,547
In case the GBP gains/loses 10% against TRY:		
4- GBP net asset/(liability)	-	-
5- GBP hedged from risks (-)	-	-
6- GBP net effect (4+5)	-	-
Total net effect	(1,169,701)	1,169,701

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NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

a) Market risk (Continued)

Price risk

The Group has no financial assets that will expose it to price risk.

Interest risk

The Group does not have any significant interest-sensitive assets. The Group's income and cash flows from its operations are largely independent of changes in market interest rates.

The Group's interest rate risk arises from short and long term borrowings. The Group has no time deposits. Although the bank loans received by the Group have fixed interest rates, future loans and deposits for the continuation of operations are affected by future interest rates.

As of 31 December 2022 and 2021, the Group's financial liabilities consist of fixed rate bank loans and lease liabilities.

31 December 2022 **31 December 2021**

Fixed rate financial instruments

Time deposits	-	-
Borrowings	559,943,417	364,381,348

Variable rate financial instruments

Time deposits	-	-
Borrowings	-	-

b) Credit risk

The Group is exposed to credit risk due to its trade receivables arising from forward sales and deposits held in banks. These terms are generally less than one month. If deemed necessary, collateral is taken for sales made to companies outside the group. The Group does not have any collection problems.

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NOTES TO THE CONSOLIDATED STATEMENT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2022 and 2021, the amounts of the Group's foreign currency assets and liabilities and their TRY provisions are as follows:

31 December 2022	Trade receivables from related parties	Trade receivables from third parties	Other receivables from third parties	Deposits in Bank
Net book value of financial assets that are not overdue or impaired	-	35,604,609	4,936,573	48,576,425
Secured portion	-	-	-	-
Net book value of overdue but not impaired assets	-	-	-	-
Secured portion	-	-	-	-
Net book value of impaired assets	-	-	-	-
- Overdue (gross book value)	-	488,384	719,418	-
- Impairment (-)	-	(488,384)	(719,418)	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
Elements involving off-balance sheet credit risk	-	-	-	-
Maximum exposure to credit risk	-	35,604,609	4,936,573	48,576,425

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NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2022 and 2021, the amounts of the Group's foreign currency assets and liabilities and their TRY provisions are as follows:

31 December 2021	Trade receivables from related parties	Trade receivables from third parties	Other receivables from third parties	Deposits in Bank
Net book value of financial assets that are not overdue or impaired	-	11,429,282	4,433,031	22,498,431
Secured portion	-	-	-	-
Net book value of overdue but not impaired assets	-	-	-	-
Secured portion	-	-	-	-
Net book value of impaired assets	-	-	-	-
- Overdue (gross book value)	-	488,384	719,418	-
- Impairment (-)	-	(488,384)	(719,418)	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
Elements involving off-balance sheet credit risk	-	-	-	-
Maximum exposure to credit risk	-	11,429,282	4,433,031	22,498,431

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NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

c) Liquidity risk

Liquidity risk management refers to the ability to hold sufficient cash and securities, the availability of sufficient loan transactions and fund resources, and the ability to close market positions.

The risk of non-fulfillment of financial obligations is eliminated by harmonizing the balance sheet and cash flow. In this context, compitability of receivable and payable day maturities is taking into account, net working capital management targets are set in order to preserve short-term liquidity, and balance sheet ratios are tried to be kept at certain levels.

As of 31 December 2022 and 2021, the presentation of liabilities according to their undiscounted cash flows and remaining maturities is presented in the tables below:

31 December 2022	Book value	Less than 3 month	3 - 12 month	1 - 5 month	Total cash outflows pursuant to the contract
Financial liabilities	315,628,805	206,169,251	129,696,956	-	335,866,207
Trade payables to third parties	1,305,745,450	1,226,177,052	108,445,000	-	1,334,622,052
Trade payables to related parties	41,817,192	41,817,192	-	-	41,817,192
Lease liabilities	244,314,612	19,679,098	57,643,182	249,062,710	326,384,990
Non-derivative financial liabilities	1,907,506,059	1,493,842,593	295,785,138	249,062,710	2,038,690,441

31 December 2021	Book value	Less than 3 month	3 - 12 month	1 - 5 month	Total cash outflows pursuant to the contract
Financial liabilities	166,174,142	91,452,608	79,316,073	1,486,402	172,255,083
Trade payables to third parties	476,325,708	433,263,115	61,870,000	-	495,133,115
Trade payables to related parties	33,982,877	33,982,877	-	-	33,982,877
Lease liabilities	198,207,206	17,338,828	51,924,483	265,064,632	334,327,943
Non-derivative financial liabilities	874,689,933	576,037,428	193,110,556	266,551,034	1,035,699,018

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**NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors the capital using the net financial debt/total equity ratio. Net financial debt is calculated by deducting the sum of financial liabilities (including long-term and short-term financial liabilities) from cash and cash equivalents. This ratio is found by dividing net financial debt by total equity.

	31 December 2022	31 December 2021
Financial liabilities	559,943,417	364,381,348
Less: Cash and cash equivalents (Note 4)	(53,705,744)	(24,062,240)
Net financial debt	506,237,673	340,319,108
Total equity	244,099,225	79,847,575
Net financial debt/equity	2,07	4,26

Fair value of financial assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial Assets

It is accepted that the fair values of the balances denominated in foreign currency, which are translated at the period-end rates, approximate their carrying values.

The fair values of cash and cash equivalents are considered to approximate their book values due to their short-term nature.

It is estimated that the discounted carrying values of trade receivables are approximated to their fair values together with the related impairment provisions.

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NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Fair value of financial assets (Continued)

Financial Liabilities

Due to the short-term nature of trade payables and other monetary liabilities, their fair values are considered to approximate to their carrying values. When the long-term fixed-rate bank loans are valued with the fixed interest rate valid as of the balance sheet date, it is seen that the fair value approximates to the carrying value. Since the maturities of short-term loans are short, it is assumed that their carrying values approximate to their fair values.

NOTE 28 - SUPPLEMENTARY CASH FLOW INFORMATION

	Loans	Leases	Total
1 January 2022	166,174,142	198,207,206	364,381,348
Cash inflows during the period	555,040,159	-	555,040,159
Lease additions	-	91,425,919	91,425,919
Lease terminations	-	(6,875,243)	(6,875,243)
Cash outflows during the period	(401,487,127)	(92,439,351)	(493,926,478)
Other	(4,098,369)	53,996,081	49,897,712
31 December 2022	315,628,805	244,314,612	559,943,417
Cash and cash equivalents			(53,705,744)
Net debt			506,237,673

	Loans	Leases	Total
1 January 2021	140,820,757	152,505,879	293,326,636
Cash inflows during the period	286,342,832	-	286,342,832
Lease addition	-	77,848,067	77,848,067
Lease terminations	-	(3,685,778)	(3,685,778)
Cash outflows during the period	(269,083,326)	(70,413,583)	(339,496,909)
Other	8,093,879	41,952,621	50,046,500
31 December 2021	166,174,142	198,207,206	364,381,348
Cash and cash equivalents			(24,062,240)
Net debt			340,319,108

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**NOTE 29– FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR
/INDEPENDENT AUDIT FIRMS**

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	2022	2021
Independent audit fee for the reporting period	1,150,000	216,000
Other assurance services	75,400	-
	1,225,400	216,000

NOTE 30 - EVENTS AFTER THE BALANCE SHEET DATE

On January 27, 2023, the Company made a capital increase by bonus issue and its paid-in capital increased to TRY 41,000,000.

The earthquake that occurred in Kahramanmaraş on February 6, 2023 and affected many provinces of Turkey did not have a significant impact on the Group's activities.

The Law No. 7438 Amending the Social Insurance and General Health Insurance Law and the Decree Law No. 375 came into force after being published in the Official Gazette dated March 3, 2023 and numbered 32121. Studies to measure the effects of this issue on the Group's operations, cash flows and financial position in 2023 are still ongoing as of the date of this report.

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APPENDIX 1 – EBITDA

The Group calculates EBITDA amount by subtracting general administrative expenses and marketing expenses from the gross profit amount in the consolidated profit or loss statement and adding depreciation expense and amortization. EBITDA is not a performance measure defined in TFRS and may not be comparable to other companies.

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	4,569,147,722	2,062,506,972
Cost of sales (-)	(2,991,373,285)	(1,393,191,051)
Gross profit	1,577,774,437	669,315,921
General and administrative expenses (-)	(213,439,275)	(96,147,624)
Marketing expenses (-)	(840,566,910)	(408,208,521)
Addition: Depreciation and amortization	107,620,638	78,573,362
EBITDA	631,388,890	243,533,138