



Şok Marketler Ticaret A.Ş.

01.01.2019 – 31.03.2019

Interim Report

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1. About Şok Marketler

Şok Marketler Ticaret Anonim Şirketi (“Şok” or the “Company”) was established in 1995 to operate in the retail sector, selling fast moving consuming products in Turkey. The registered address of the Company is Kısıklı mah. Hanımseti sok No:35 B/1 Üsküdar and continues its activities in 81 provinces of Turkey. The number of personnel is 28,573 as of 31 March 2019 (31 December 2018:27,823).

Şok and its subsidiaries (together the “Group”), are comprised of the parent, Şok and three subsidiaries in which the Company owns the majority share of the capital or which are controlled by the Company.

On 25 August 2011, Şok 's shares were transferred from Migros Ticaret A.Ş..

The Group acquired 18 stores of Dim Devamlı İndirim Mağazacılık A.Ş between February 21, 2013 and March 28, 2013. The purchase was not made through the purchase of shares but through the purchase of the assets in stores.

On 19 April 2013, the Group signed share transfer agreement for the purpose of purchasing 100% of the DiaSA Dia Sabancı Süpermarketleri Tic. A.Ş ("DiaSA"). All of DiaSA's shares were transferred to Şok Marketler A.Ş. on 1 July 2013. On 8 July 2013, 100% of the shares of Onur Ekspres Marketçilik A.Ş. was purchased by Şok. DiaSA and OnurEx merged with Şok on 1 November 2013 and 19 December 2013, respectively.

On 29 May 2015, the Group acquired 80% share of Mevsim Taze Sebze Meyve San. ve Tic. A.Ş. (“Mevsim”).

On 26 December 2017, the Group acquired 55% share of Teközel Gıda Temizlik Sağlık Marka Hizmetleri Sanayi ve Ticaret A.Ş. (“Teközel”) from Yıldız Holding A.Ş.. The Group acquired the remaining 45% shares of Teközel on 2 July 2018. Teközel holds 100% share of “UCZ” Mağazacılık Ticaret A.Ş. (“UCZ”).

With the Capital Market Board's approval of the public offering, the shares of Şok Marketler Ticaret A.Ş. started to be trade on 18 May 2018 on Yıldız Market with the “SOKM” code which was offered to public on 8-11 May 2018, with a nominal value of TL 218,500,000 issued due to the increase from TL 360,000,000 to TL 578,500,000 with 10.5 base price.

Within the framework of the registered capital system,with the completion of the public offering with restricting the rights of the existing shareholders to purchase new shares, total capital of the Company increased by TL 33,428,571 to TL 611,928,571. All of the shares issued within the framework of capital increase mentioned above are allocated to Yıldız Holding A.Ş.. On 16 May 2018 capital increase completed by depositing the relevant amount to the Company account at base price of 10.5 TL.

As of 31 March 2019, the Group has a total of 6,642 stores 6,371 units ("Şok" sales store), 271 units ("Şok Mini" sales store) (31 December 2018: "Şok" sales store: 6,100, "Şok Mini" sales store: 264).

The Group's internet address is www.sokmarket.com.tr.

1. General Informations

a) Shareholding Structure

Shareholder structure of Şok Marketler as of March 31,2019 is stated below;

Shareholders	%	
Turkish Retail Investments B.V.	23,53	144.000.000
Gözde Girişim Sermayesi Yat.Ort. A.Ş.	22,94	140.400.327
Turkish Holdings IV Cooperatief U.A.	5,16	31.571.531
Templeton Strategic Emerging Markets Fund IV.LDC	5,88	36.000.000
Yıldız Holding A.Ş.	5,46	33.428.571
Free Float & Others	37,03	226.528.142
Total	100	611.928.571

a) Board of Directors

At the Ordinary General Assembly held on 29 March 2019, there is no change at the composition of board of directors. Members' names and roles are as follows:

Name Surname	Title	Term
Cengiz Solakoğlu	Chairman	Board members were elected for a term of three years at the Ordinary General Assembly meeting held on 18 July 2018 /2 Years
Ali Ülker	Deputy Chairman	
Mustafa Yaşar Serdengeçti	Board Member	
Erman Kalkandelen	Board Member	
Ahmet Bal	Board Member (Independent)	
Ceyda Aydede**	Board Member (Independent)	

* The members of the Board of Directors, comprising six people, were elected for a term of three years in the 2017 Ordinary General Assembly meeting held by ŞOK Marketler on 18 July 2018.

** Our Company's independent board member, Ms. Ceyda AYDEDE resigned voluntarily from her position with her resignation letter dated of 11.04.2019. The announcement regarding the appointment of Pınar ILGAZ as independent board member was announced at Public Disclosure Platform on 30.04.2019.

b) Executive Board

Executive Board of Şok Marketler as of March 31,2019 is stated below;

Name Surname	Title	Address
Uğur Demirel	CEO	Kısıklı Mahallesi Hanımseti Sokak No:35 B/1 Üsküdar, İstanbul
Ziya Kayacan	CFO	
Selim Çelebi*	Human Resources Director	
Kazım Çağlar	Sales & Operation Director	
Hakan Koyun	Sales & Operation Director	
Metin Sağlam	Sales & Operation Director	
Nilhan Gülbahçe	Marketing Director	
Tolga Genç	Trade Director	
Hakan Kurtul	Trade Director	
Kenan Hatipoğlu	Construction, Technical Purchasing and Investment Group Manager	
Çağlar Dağlar Aygün	Sales Operation Director	

* Selim Çelebi resigned voluntarily from his position. Tuncer Konak was appointed as human resources director.

2. Retail Sector

The Turkish food retail market, at TL 37.1 billion in 2002, grew to TL 218 billion in 2016; it is the seventh largest market in Europe in terms of household spending. Over the past ten years, the Turkish food retail market has seen significant changes. ‘Traditional channel’ sales points, also including small-scale and independent grocery stores that are generally run by families, dominated the market, until the emergence of ‘modern channel’ retailers (e.g. supermarkets, hypermarkets and discount retail stores). Modern channel stores continued to gain market share, over time, from traditional channel stores, accounting for 40% of the Turkish food retail market in 2017. The period between 2012 and 2017 marked the fastest growth in market size of the discount retail segment in the modern channel, with a compound annual growth rate (CAGR) of 28%, compared to 11% and 13% CAGR in the entire modern channel and traditional channel, respectively. 1 (Source: MK Novo Report)

Small-format supermarkets with an area of less than 400 square meters, including discount stores due to the size of their turnover, were the fastest growing in the dominant modern channel, with 26.8% turnover and 25% growth in 2018.

In ten year period between 2019 and 2018, modern channel stores including discount markets increased three-fold. It can be observed that discount markets contributed to this change. In the last two years, the market share of the discount retail segment increased 31%. Urban population and household spending increased between 2000 and 2017, while the middle-income class grew by almost three folds between 2002 and 2016. As shopping malls grow in number, discount stores are becoming increasingly popular. Currently, the urban population in Turkey is in parallel with that of Russia, France and the UK. The food retail industry is projected to further grow in the future, taking note of these developments. Turkey’s growth potential in modern channels can also be observed by looking into the modern channel shares in Turkey and other countries for the year 2018 in turnover. According to data from Nielsen, the FMCG market share grew 18% in 2018 and taking turnover of the fastest growing markets into account, reached 25% including six market channels which are under 400m2 . According to the data of MK Novo, the market share of discount retail segment which was 18% in 2017 is estimated to reach for 24% in the total Turkish food retail market by 2023; and 31% by 2030. In the discount stores segment, it is suggested that 13,000-17,000 stores

will potentially be added to the existing number of 18,000 stores by the year 2030. The growth is mostly expected to take place in metropolitan cities like Istanbul, Ankara, Bursa, Izmir, Antalya, as well as other big cities. ŞOK Marketler increased its market share in discount retail segment by opening new stores and growing sales in current stores. Between 2012 and 2017, while increasing number of stores by 35% and sales by 46%, ŞOK Marketler managed to be one of the fastest growing companies in the food retail sector. The Company's turnover increased from 8.3% to 19.3% in discount retail market.

3. Operations

The Company operates in the food retail market in Turkey. As of 31 March 2019, Group has Temel olarak perakendecilik alanında faaliyet göstermekte olan ve işlerinin ağırlığı gıda perakendeciliğini kapsayan Grup, 31 Mart 2019 tarihi itibarıyla 6.371 adet ("Şok" satış mağazası), 271 adet ("Şok Mini" satış mağazası) olmak üzere toplam 6.642 mağazaya sahiptir.

4. Investments

For the period of 1 January- 31 March 2019, The Company opened 271 Şok and 7 Şok Mini Stores and Total capital expenditure was 102,5 million TL.

5. After the reporting Period

Our Company's independent board member, Ms. Ceyda AYDEDE resigned voluntarily from her position with her resignation letter dated of 11.04.2019. The announcement regarding the appointment of Pınar ILGAZ as independent board member was announced at Public Disclosure Platform on 30.04.2019.

6. Financials

The details of the Group's subsidiaries at 31 March 2019 and 31 December 2018 are as follows:

Subsidiaries	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
	Direct Ownership Rate %		Group Efficiency Rate %	
Mevsim Taze Sebze Meyve San. Ve Tic. A.Ş.	80%	80%	80%	80%
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş. (*)	100%	100%	100%	100%
UCZ Mağazacılık Tic. A.Ş. (**)	-	-	100%	100%

(*) The Group acquired 550,000 shares with par value of TL 1 each representing 55 percent shares of the total capital of TL 1,000,000 of Teközel on 26 December 2017. The Group has completed the purchase of the remaining shares of Teközel on 2 July 2018. The Group applied to the CMB for the merger of Teközel with Şok by the financials of 30 September 2018 and the approval of the CMB. As of 28 March 2019 the merger was approved by CMB. After the trade registry approval, the merger will be completed.

(**) On 25 December 2017, Teközel acquired 21,000,000 shares of UCZ, each representing a nominal value of TL 1, representing 60% of the total capital of TL 35,000,000 for a consideration of TL 1,000 and gained control of UCZ. On 30 January 2018, the Group purchased the remaining shares of UCZ and UCZ became a 100% subsidiary of the Group.

As of 31 March 2019 and 31 December 2018 net debt / total capital ratio is as follows:

	31 March 2019	31 December 2018
Total liabilities	259,113,673	284,244,096
Less: Cash and cash equivalents (Note 5)	(326,415,163)	(354,087,758)
Net debt	(67,301,490)	(69,843,662)
Total equity	167,643,474	262,989,023
Total capital	100,341,984	193,145,361
Gearing ratio	0%	0%

Consolidated Income Statement Summary for the period of 1 January -31 March 2019;

Consolidated Income Statement Summary (TLm)	Q1 2018	Q1 2019 Before IFRS 16	Δ (%)	IFRS 16 Impact	Q1 2019 After IFRS 16
Net Sales	2.569,5	3.523,4	37,1%	-	3.523,4
Gross Profit	597,1	780,7	30,8%	-	780,7
Gross Profit %	23,2%	22,2%	-1,1 Ppt	-	22,2%
Marketing, selling & GA expenses (-)	(553,6)	(717,5)	29,6%	62,3	(655,1)
Marketing, selling & GA expenses (-) (Excl Amortisation)	(507,4)	(664,4)	30,9%	149,4	(515,0)
EBITDA	89,7	116,3	29,7%	149,4	265,7
EBITDA %	3,5%	3,3%	-0,2 Ppt	4,2%	7,5%
Net Profit / (Loss) for the Period	(119,3)	(72,6)	39,2%	(24,9)	(97,5)

Consolidated Balance Sheet Summary for the period of 1 January -31 March 2019;

Consolidated Balance Sheet Summary (TLm)	31.12.18	31.03.19		31.03.19 After IFRS 16
		Before IFRS 16	IFRS 16 Impact	
Cash & cash equivalents	354,1	326,4		326,4
Trade receivables	69,5	61,8		61,8
Inventories	872,5	991,0		991,0
Other current assets	19,2	41,9	(3,7)	38,2
Total Current Assets	1.315,3	1.421,1	(3,7)	1.417,5
Property & equipment	977,6	1.029,2		1.029,2
Intangible assets	684,7	681,7		681,7
Other non-current assets	284,3	303,5	1.585,4	1.888,8
Non-Current Assets	1.946,6	2.014,4	1.585,4	3.599,8
Total Assets	3.261,9	3.435,5	1.581,7	5.017,2

Consolidated Balance Sheet Summary (TLm)	31.12.18	31.03.19		31.03.19 After IFRS 16
		Before IFRS 16	IFRS 16 Impact	
Short term financial liabilities	177,4	152,2		152,2
Trade payables	2.484,5	2.679,0		2.679,0
Other current payables	183,2	254,0	480,1	734,1
Total Current Liabilities	2.845,1	3.085,2	480,1	3.565,3
Total Non Current Liabilities	153,8	157,7	1.126,5	1.284,2
Shareholder's equity	261,8	191,5	(24,9)	166,6
Non-controlling interests	1,2	1,0		1,0
Total Equity	263,0	192,6	(24,9)	167,6
Total Liabilities and Equity	3.261,9	3.435,5	1.581,7	5.017,2