**(Convenience translation into english of consolidated financial statements originally issued in Turkish)**

# D-Market Elektronik Hizmetler ve Ticaret A.Ş. and Its Subsidiaries

## Consolidated financial statements at 1 January - 31 December 2021 together with independent auditor’s report

Güney Bağımsız Denetim ve SMMM A. Ş.
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# INDEPENDENT AUDITOR'S REPORT

**To the General Assembly of D-Market Elektronik Hizmetler ve Ticaret Anonim Şirketi**

## A) Report on the Audit of the Consolidated Financial Statements

### 1) Opinion

We have audited the consolidated financial statements of D-Market Elektronik Hizmetler ve Ticaret Anonim Şirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### 2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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. These matters were addressed in the context of our 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.

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| Key audit matter | How key audit matters addressed in the audit |
|---|---|
| **Revenue recognition** | |
| The Group has recognised revenue amounting to 7.558.021 thousand TL between January 1 – December 31, 2021. As explained in Note 2 of the consolidated financial statements, revenue should be recognized at fair value when it can be measured reliably and the economic benefits from the transactions will be received by the Group.<br><br>Since the revenue represents one of the most significant amount in the profit or loss statement of the Group, and because it has a significant effect on the Group's key performance indicators, it is significant to our audit procedures.<br><br>The Group's revenue mainly consists of product sales to its customers through its website. Product sales revenues are recognized on the basis of the periodicity principle over the invoiced values on the date the products are delivered to the customers. The Group's revenue from these operations arises from small valued but high number of transactions.<br><br>According to the above mentioned explanations, revenue recognition is determined as key audit matter.<br><br>The detailed explanations for revenue recognition and revenue amounts are presented in Note 2 and Note 18. | The following procedures have been applied to ensure the accurate and complete recognition of revenue:<br><br>- Assessing whether the accounting policies applied comply with TFRS and applied consistently with prior periods.<br>- Understanding of the process of the Group regarding the revenue recognition.<br>- Testing of the controls of the Group regarding the revenue recognition.<br>- Contracts with customers are reviewed and impacts of contractual clauses on revenue are evaluated.<br>- The details of the Group's collections made by credit card and money order regarding the sales made were obtained from the relevant banks and matched with the sales amounts.<br>- Performing detailed tests related to the transactions that were carried out before and after the fiscal period to assess whether the revenue is recognized in the correct period. |

## 4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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.

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### 5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

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

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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.

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

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

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.

## B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2021 and financial statements are not in compliance with law and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Tolga Kırelli.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Tolga Kırelli, SMMM
Partner

18 May 2022
İstanbul, Turkey

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**Consolidated statement of financial position**
**at 31 December 2021**
**(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)**

| | Note | Audited Current Period 31 December 2021 | Audited Prior Period 31 December 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 3 | 3,813,469 | 592,643 |
| Restricted cash | | 39,998 | - |
| Financial investments | 4 | 1,158,052 | - |
| Trade receivables | | | |
| - Due from related parties | 6, 25 | 2,184 | 3,408 |
| - Due from non-related parties | 6 | 224,691 | 157,107 |
| Inventories | 8 | 1,639,480 | 770,141 |
| Prepaid expenses | 9 | 66,164 | 15,708 |
| Current income tax assets | 24 | 4,702 | 2,907 |
| Contract assets | 10 | 7,351 | 55,737 |
| Other current assets | 16 | 128,921 | 92,180 |
| **Total current assets** | | **7,085,012** | **1,689,831** |
| **Non-current assets:** | | | |
| Property and equipment | 11 | 90,540 | 56,302 |
| Intangible assets | 12 | 202,798 | 89,387 |
| Right of use assets | 13 | 205,755 | 125,983 |
| Prepaid expenses | 9 | 4,798 | 3,232 |
| Other non-current assets | 16 | 292,460 | 222 |
| **Total non-current assets** | | **796,351** | **275,126** |
| **Total assets** | | **7,881,363** | **1,964,957** |

These consolidated financial statements have been approved by Board of Directors on 18 May 2022. The General Assembly has the right to amend these consolidated financial statements.

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**Consolidated statement of financial position**
**at 31 December 2021**
**(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)**

| | Note | Audited<br>Current period<br>31 December 2021 | Audited<br>Prior period<br>31 December 2020 |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Short-term bank borrowings | 5 | 193,184 | 347,436 |
| Lease liabilities | 13 | 109,310 | 51,211 |
| Wallet deposits | 4 | 40,924 | - |
| Trade payables | | | |
| - Due to related parties | 6,2 | 9,047 | 3,930 |
| - Due to non-related parties | 6 | 4,062,149 | 2,024,549 |
| Payables related to employee benefits | 15 | 48,700 | 22,184 |
| Other payables | | | |
| - Due to non-related parties | 7 | 47,509 | 9,354 |
| Deferred income | 9 | 18,699 | 6,337 |
| Short-term provisions | | | |
| - Short-term provisions for employment benefits | 15 | 70,729 | 22,808 |
| - Other short-term provisions | 14 | 132,422 | 3,734 |
| Contract liabilities | 10 | 219,241 | 150,698 |
| Other short term liabilities | 16 | 48,635 | 13,904 |
| **Total current liabilities** | | **5,000,549** | **2,656,145** |
| **Non-current liabilities** | | | |
| Lease liabilities | 13 | 101,940 | 92,845 |
| Long-term provisions | | | |
| - Long-term provisions for employment benefits | 15 | 5,297 | 3,299 |
| Deferred income | 9 | 97,401 | - |
| **Total non-current liabilities** | | **204,638** | **96,144** |
| **Shareholders' equity** | | | |
| Share capital | 17 | 65,200 | 56,866 |
| Other reserves | 15 | 85,270 | - |
| Share premium | 17 | 4,260,737 | 187,465 |
| Other comprehensive losses that will not be reclassified in profit or loss | | (10,508) | (7,218) |
| Restricted reserves | 17 | 1,586 | 1,586 |
| Accumulated losses | | (1,026,031) | (551,515) |
| Net loss for the year | | (700,078) | (474,516) |
| **Total equity** | | **2,676,176** | **(787,332)** |
| **Total liabilities and equity** | | **7,881,363** | **1,964,957** |

Accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statement of profit or loss and other comprehensive income for the period 1 January - 31 December 2021**
**(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)**

| | Note | Audited<br>Current period<br>1 January-<br>31 December 2021 | Audited<br>Prior period<br>1 January-<br>31 December 2020 |
|---|---|---|---|
| **PROFIT OR LOSS** | | | |
| Revenue | 18 | 7,558,021 | 6,375,727 |
| Cost of sales (-) | 18 | (6,662,047) | (5,389,644) |
| **Gross profit** | | **895,974** | **986,083** |
| General administrative expenses (-) | 19 | (685,810) | (253,720) |
| Marketing, sales and distribution expenses (-) | 19 | (1,963,285) | (894,504) |
| Other operating income | 21 | 124,421 | 43,348 |
| Other operating expenses (-) | 21 | (594,314) | (137,505) |
| **Operating loss** | | **(2,223,014)** | **(256,298)** |
| Income from investment activities | 22 | 316,095 | - |
| Expenses from investment activities | 22 | (40,250) | - |
| **Operating loss before financial expense** | | **(1,947,169)** | **(256,298)** |
| Financial income | 23 | 1,798,347 | 67,419 |
| Financial expenses (-) | 23 | (551,256) | (285,637) |
| **Loss before taxation from continued operations** | | **(700,078)** | **(474,516)** |
| Tax expenses | 24 | - | - |
| **Loss for the period from continued operations** | | **(700,078)** | **(474,516)** |
| **Allocation of loss for the period** | | | |
| Attributable to equity holders of the parent Company | | (700,078) | (474,516) |
| **Loss for the period** | | **(700,078)** | **(474,516)** |
| Basic and diluted loss per share | 28 | (2.30) | (1.67) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **That will not be reclassified as profit or loss** | | | |
| Defined benefit plans re-measurement gains/(losses) | 15 | (3,290) | (1,984) |
| **TOTAL COMPREHENSIVE LOSS** | | **(703,368)** | **(476,500)** |
| **Allocation of Total Comprehensive Loss** | | | |
| Attributable to equity holders of the parent Company | | (703,368) | (476,500) |

Accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity
## for the period 1 January - 31 December 2021
**(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)**

| | | | | That will not be reclassified in profit or loss | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share Capital** | **Other Reserves** | **Share Premiums** | **Defined Benefit Plans Re-measurement Losses** | **Restricted Reserves** | **Accumulated Losses** | **Net Loss For The Year** | **Total Equity** |
| **Balance at 1 January 2020** | **56,866** | **-** | **187,465** | **(5,234)** | **1,586** | **(419,868)** | **(131,647)** | **(310,832)** |
| Transfers | - | - | - | - | - | (131,647) | 131,647 | - |
| Net loss for the year | - | - | - | - | - | | (474,516) | (474,516) |
| Other comprehensive loss | - | - | - | (1,984) | - | | | (1,984) |
| **Balance at 31 December 2020** | **56,866** | **-** | **187,465** | **(7,218)** | **1,586** | **(551,515)** | **(474,516)** | **(787,332)** |
| **Balance at 1 January 2021** | **56,866** | **-** | **187,465** | **(7,218)** | **1,586** | **(551,515)** | **(474,516)** | **(787,332)** |
| Capital increase | 8,334 | - | 4,073,272 | - | - | - | - | 4,081,606 |
| Transfers | - | - | - | - | - | (474,516) | 474,516 | - |
| Share-based payments (Note 15) | - | 85,270 | - | - | - | - | - | 85,270 |
| Net loss for the year | - | - | - | - | - | - | (700,078) | (700,078) |
| Other comprehensive loss | - | - | - | (3,290) | - | - | - | (3,290) |
| **Balance at 31 December 2021** | **65,200** | **85,270** | **4,260,737** | **(10,508)** | **1,586** | **(1,026,031)** | **(700,078)** | **2,676,176** |

Accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of cash flow
## for the period 1 January - 31 December 2021
### (Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

| | Note | Audited<br>Current period<br>1 January -<br>31 December 2021 | Audited<br>Prior period<br>1 January-<br>31 December 2020 |
|---|---|---|---|
| **A. Net cash provided by operating activities** | | **90,126** | **440,713** |
| Net loss for the year | | (700,078) | (474,516) |
| **Adjustments to reconcile net loss for the year** | | **(248,497)** | **454,590** |
| Adjustments related to financial expenses | 21, 23 | 632,564 | 348,478 |
| Adjustments related to interest income | 21, 22, 23 | (75,909) | (39,639) |
| Adjustments related to changes in unrealised foreign exchange differences | | (1,251,207) | 12,856 |
| Adjustments related to depreciation and amortization | 20 | 140,925 | 93,183 |
| Adjustments related to impairment loss/(reversal) | 6, 8 | (1,487) | 17,914 |
| Adjustments related to fair value losses | 4 | 40,250 | - |
| Adjustments related to provisions | 14, 15 | 266,367 | 21,798 |
| **Changes in working capital** | | **1,038,701** | **460,639** |
| Adjustments for increase in inventories | | (864,558) | (418,262) |
| Adjustments for increase in trade receivables | | (74,855) | (73,263) |
| Adjustments for increase in trade payables | | 2,037,600 | 1,010,927 |
| Adjustments regarding increase in other receivables on operations | | (373,184) | (123,548) |
| Adjustments regarding increase in other payables on operations | | 329,252 | 78,240 |
| **Net cash from operating activities** | | **(15,554)** | **(13,455)** |
| Payments related with employee benefits | 15 | (18,975) | (12,682) |
| Other cash inflows/(outflows) | | 3,421 | (773) |
| **B. Cash flows from investing activities** | | **(1,096,435)** | **(99,299)** |
| Purchase of tangible and intangible assets | 11, 12 | (214,790) | (99,459) |
| Proceeds from sales of tangible and intangible assets | | 562 | 160 |
| Cash outflows for the acquisition of shares of other enterprises or funds or borrowing instruments | 4 | (882,207) | - |
| **C. Cash flows from financing activities** | | **3,291,191** | **(18,887)** |
| Proceeds from borrowings | 27 | 1,750,046 | 1,619,217 |
| Repayment of borrowings | 27 | (1,912,509) | (1,305,405) |
| Lease payments | 27 | (104,829) | (58,365) |
| Interest paid | | (598,205) | (313,932) |
| Interest received | | 75,082 | 39,598 |
| Proceeds from share capital and share premium increase | 17 | 4,081,606 | - |
| **Net increase/(decrease) in cash and cash equivalents before the effect of currency translation reserves (A+B+C)** | | **2,284,882** | **322,527** |
| **D. Effects of exchange rate changes on cash and cash equivalents** | | 935,442 | (12,228) |
| **Net increase in cash and cash equivalents (A+B+C+D)** | | 3,220,324 | 310,299 |
| **E. Cash and cash equivalents at beginning of the year** | **3** | **592,281** | **281,982** |
| **Cash and cash equivalents at end of the year (A+B+C+D+E)** | **3** | **3,812,605** | **592,281** |

Accompanying notes are an integral part of these consolidated financial statements.

## NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

D-Market Elektronik Hizmetler ve Ticaret A.Ş. ("D-Market" or "Hepsiburada" or together with its subsidiaries the "Group") was established in April 2000. D-Market currently operates as a retail website (www.hepsiburada.com) offering its retail customers a wide selection of merchandise including electronics and non-electronics (including books, sports, toys, kids and baby products, cosmetics, furniture, etc.). As of 31 December 2021, the ultimate shareholders of D-Market are the members of Doğan Family and Turk Commerce B.V. (Note 17).

On July 6, 2021, the Company completed an initial public offering ("IPO") of 65,251,000 American Depositary Shares ("ADSs") representing 65,251,000 Class B ordinary shares, at a price to the public of $12.00 per ADS on Nasdaq. The offering included 41,670,000 ADSs offered by the Company and 23,581,000 ADSs offered by a selling shareholder, which included 8,511,000 ADSs sold by the selling shareholder pursuant to the underwriters' exercise in full of their over-allotment option. The ADSs began trading on the Nasdaq Global Select Market under the ticker symbol "HEPS" on July 1, 2021.

As of 31 December 2021, the Group has 3,789 employees (2020: 2,433). The address of the registered office is as follows:

Kuştepe Mahallesi, Mecidiyeköy Yolu Caddesi
No: 12 Kule 2 Kat 2
Şişli, Istanbul - Turkey

### Subsidiaries

The Subsidiaries included in these consolidated financial statements are as follows:

- Evimiz Dekorasyon İnternet Hizmetleri ve Danışmanlık Ticaret A.Ş. ("Evimiz")
- Altıncı Cadde Elektronik Ticaret A.Ş. ("Altıncı Cadde")
- D Ödeme Elektronik Para ve Ödeme Hizmetleri A.Ş. ("D-Ödeme" or "Hepsipay")
- D Fast Dağıtım Hizmetleri ve Lojistik A.Ş. ("D-Fast" or "Hepsijet")
- Hepsi Finansal Danışmanlık A.Ş. ("Hepsi Finansal")

Altıncı Cadde was acquired by the Group on 1 June 2012 and operated as a vertical e-commerce website (www.altincicadde.com). Altıncı Cadde ended its operations as of 11 October 2019.

Evimiz was acquired on 31 March 2012 and operated as a vertical e-commerce website (www.evmanya.com) offering a variety of products to its customers mainly in furniture, home textile, house decoration, kitchen appliances, and garden and bathroom categories. Evimiz ended its operations as of 4 September 2018.

Altıncı Cadde and Evimiz were merged under D-Fast at 27 August 2021.

D Ödeme was founded on 4 June 2015 and operates as a payment services provider offering payment gateway and e-money services. D Ödeme obtained its operational licence from Banking Regulation and Supervision Agency of Turkey ("BRSA") on 20 February 2016. D Ödeme commenced its first payment service transaction on 15 June 2016. D Ödeme launched Hepsipay Cüzdanım (Wallet) in June 2021, an embedded digital wallet product on Hepsiburada platform.

D Fast was founded on 26 February 2016 and operates as a cargo and logistic firm which provides last mile delivery services to the customers of Hepsiburada and other e-commerce websites. D Fast has reached 81 city coverage in Turkey as of 31 December 2021.

Hepsi Finansal was founded on 1 December 2021 and has not started its operations as of 31 December 2021. Hepsi Finansal aims to operate as a holding company for the fintech operations of the Group and to provide financial solutions to the customers of Hepsiburada. Hepsi Finansal is the parent company of the Doruk Finansman A.Ş. which was acquired in February 2022 (Note 30).

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Basis of preparation

The accompanying consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA").

The Company maintain their books of account in Turkish Lira ("TRY") based on the Turkish Commercial Code ("TCC"), Turkish tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance of Turkey. In addition, the Company has prepared its consolidated financial statements in accordance with the accounting policies disclosed in Note 2.7 for the purpose of fair presentation in accordance with TFRS. Consolidated financial statements have been presented in accordance with the TAS taxonomy published by the POA on 15 April 2019.

In the announcement published by the POA on January 20, 2021, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, consolidated financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29."

***Functional and presentation currency***

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in thousand Turkish Lira (TRY), which is both the functional currency of all entities in the Group and the presentation currency of the Group.

***Going concern***

The Group has recurring losses, the comprehensive loss for the year ended 31 December 2021 amounted to TRY703 million, while accumulated deficit as of 31 December 2021 amounted to TRY1,737 million. The Group generates positive operating cash flows on an annual basis and its cash and cash equivalents as of 31 December 2021 amounts to TRY3,813 million. The recurring losses mainly results from increase in operating expenses such as advertising, shipping and payroll expenses of the Group, as well as higher customer discounts in response to slowdown in market growth rate and intensified competition.

Based on its current business plan, the Group's cash and cash equivalents will be sufficient to fund its operations for at least twelve months from the issuance date of these consolidated financial statements. Management of the Group believes that it will be in a position to cover its liquidity needs through cash on hand, cash generated from operations, available credit lines or a combination thereof, when necessary.

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

### 2.2 Significant accounting estimates and assumptions

Estimates and assumptions are continuously evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amount of asset and liabilities are as follows:

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 Significant accounting estimates and assumptions (Continued)

**Recognition and measurement of share-based payments**

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model and making assumptions about them.

As further disclosed in Note 15, the Group granted an equity settled share-based payment plan where management personnel, other employees and directors entitled to receive Company's shares based on the fair value at the date when the grant is made using an appropriate valuation model. Determination of estimated fair value of the Company before it consummates its initial public offering requires complex and subjective judgments. The Company's enterprise value for purposes of recording share-based compensation is estimated using a discounted cash flow ("DCF") methodology. For the DCF methodology, the net present value has been estimated using an appropriate discount rate. In the market approach, it is estimated by using the volume and revenue multipliers of the publicly traded companies in the same quality and industry as the Group.

The estimated number of stock awards that will ultimately vest based on service condition requires judgement, and to the extent actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised.

**Recognition and estimated useful lives of website development costs**

Costs that are directly associated with the development of website and identifiable and unique software products controlled by the Group are recognized as intangible assets as they meet the recognition criteria of Note 2.7.

The Group anticipates that its website is capable of generating revenues and satisfy the requirement of future probable economic benefit. The carrying amounts of the Group's intangible assets are reviewed at each reporting date to determine whether there is an indication of impairment, considering future profit projections.

The useful lives of the website development costs are estimated by management at the time the asset is capitalized and reviewed for appropriateness at each reporting date. The Group defines useful life of its assets in terms of the assets' expected utility to the Group. This judgment is based on the experience of the Group with similar assets. In determining the useful life of an asset, the Group also follows technical and/or commercial obsolescence arising on changes or improvements from a change in the market. Amortization starts when the asset is ready for use (Note 12).

Website development costs recognized as assets are amortized over their estimated useful lives between 2 and 4 years. However, the actual useful life may be shorter or longer than estimated useful lives, depending on technical innovations and competitor actions. If the useful lives were increased/decreased by one year, the carrying amount would be TRY19,958 thousand higher/TRY23,693 thousand lower as at 31 December 2021 (2020: TRY12,419 thousand higher/TRY15,658 thousand lower).

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.2 Significant accounting estimates and assumptions (Continued)

**Recognition and measurement of deferred tax assets**

The Group has not recognised any deferred income tax assets (except to the extent they are covered by taxable temporary differences) in regarding to its carry forward tax losses, unused tax incentives and other deductible temporary differences due to uncertainties as to the realization of such deferred tax assets in the foreseeable future. If actual events differ from the Group's estimates, or to the extent that these estimates are adjusted in the future, changes in the amount of an unrecognized deferred tax asset could materially impact the Group's results of operations.

**TFRS 16 application and discount rates used for measurement of lease liability**

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined or if that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value of the right of use assets in similar economic environment.

The Group determines its incremental borrowing rate with reference to its existing and historical cost of borrowing adjusted for the term and security against such borrowing. In addition, the management assesses the expected length of the leases and this assessment takes into account non-cancellation and extension options.

**Recognition and measurement of provision for Competition Authority investigation**

In accordance with the accounting policy in Note 2.6, provisions are recognized when the Group has a present obligation as a result of past events, and it is probable that a cash outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

As further explained in Note 12, the Group recognized a provision payable to the Turkish Competition Authority ("TCA") estimated at TRY 127,525 thousand in its consolidated financial statements as of 31 December 2021. The Group has computed the provision by applying 2% to D-Market's standalone annual net revenue as per statutory financial statements prepared in accordance with the tax legislations for the year ended 31 December 2021, based on the management's and legal advisors' best estimate, and reduced by 25% for early payment discount on the amount calculated, if the administration fine will be paid within 30 days, an option which the management will exercise. The TCA board, at its own discretion, may also apply a further discount between 1/4 and 3/5 of the total penalty if they decide to apply extenuating circumstances. As of the approval date of these consolidated financial statements, the TCA's final decision is not yet rendered. If the penalty ratio differs by 1% of statutory revenue from the management's estimate, the provision would be an estimated TRY 63,762 thousand higher or lower, accordingly.

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

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 Basis of consolidation

The consolidation principles used in the preparation of these consolidated financial statements are summarised below:

a) These consolidated financial statements include the accounts of the parent company, D-Market and its subsidiaries (collectively referred to as the "Group") on the basis set out in sections (a) to (b) below. The financial statements of the companies included in the consolidation are based on the accounting principles and presentation basis applied by the Group.

b) Subsidiaries are all companies over which D-Market has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. Thus, the principle of control sets out the following three elements of control:

- Power over the investee;
- Exposure or rights to variable returns from involvement with the investee;
- The ability to use power over the investee to affect the amount of the investor's returns.

The proportion of ownership interest represents the effective shareholding of the Group through the shares held by D-Market and indirectly by its subsidiaries.

The table below sets out the subsidiaries included in the scope of consolidation and shows the Group's ownership interests at 31 December 2021 and 2020.

| Subsidiaries | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Evimiz (*) | - | 100% |
| Altıncı Cadde (*) | - | 100% |
| D-Ödeme | 100% | 100% |
| D-Fast | 100% | 100% |
| Hepsi Finansal | 100% | - |

(*) The operations of Evimiz and Altıncı Cadde ceased on 4 September 2018 and 11 October 2019, respectively. Evimiz and Altıncı Cadde do not represent a material separate major line of business of the Group, consequently, they were not classified as discontinued operations in respective periods. Altıncı Cadde and Evimiz companies have been merged under D-Fast on 27 August 2021.

The balance sheet and statement of comprehensive loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by D-Market in its subsidiaries is eliminated against equity. The intercompany transactions and balances between D-Market and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by D-Market in its subsidiaries are eliminated from equity and income for the period, respectively. The subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

### 2.4 Offsetting

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

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLI DATED FINANCIAL STATEMENTS (Continued)

### 2.5 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2021 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:**

**Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16**

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted and must be disclosed.

***Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform***

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

***Relief from discontinuing hedging relationships***

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.

As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.5 The new standards, amendments and interpretations (Continued)**

***Separately identifiable risk components***

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

***Additional disclosures***

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**Amendments to TFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021**

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**ii) Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

**Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 The new standards, amendments and interpretations (Continued)

**Amendments to TFRS 3 – Reference to the Conceptual Framework**

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (2018 Version). The Group is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**Amendments to TAS 16 – Proceeds before intended use**

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

**Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract**

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

**TFRS 17 - The new Standard for insurance contracts**

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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## NOTE 2 - BASIS OF PRESENTATION OF CONSOLI DATED FINANCIAL STATEMENTS (Continued)

### 2.5 The new standards, amendments and interpretations (Continued)

**Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities**

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. Management has assessed that the amendment will have no impact on the consolidated financial statements.

**Amendments to TAS 8 - Definition of Accounting Estimates**

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted. Management has assessed that the amendment will have no impact on the consolidated financial statements.

**Amendments to TAS 1 - Disclosure of Accounting Policies**

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. Management has assessed that the amendment will have no impact on the consolidated financial statements.

**Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized. Management has assessed that the amendment will have no impact on the consolidated financial statements.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 The new standards, amendments and interpretations (Continued)

**Annual Improvements – 2018–2020 Cycle**

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. Management has assessed that the amendment will have no impact on the consolidated financial statements.

### 2.6 Changes in accounting policies, estimates and errors

If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurs; if the changes apply also to the future periods, they are applied in both the period of change and in the future period. The Group does not have any significant change on accounting estimates in current year. Major accounting errors detected are applied retrospectively and the financial statements of previous period are restate. The Group does not have any significant accounting error in current year.

### 2.7 Summary of significant accounting policies

The significant accounting policies followed in the preparation of these consolidated financial statements are summarised below:

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, demand and time deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

**Restricted cash and wallet deposits**

Restricted cash represents fund deposits received from customers for the Group's payment solution by digital wallet. These deposits are subject to regulatory restrictions and therefore are not available for use by the Group. These deposits are kept separately from the Group's cash accounts and the Group does not earn interest income from its restricted cash accounts. A corresponding liability is recorded as wallet deposits in the consolidated balance sheet. These amounts are maintained in the digital wallet until withdrawal is requested or used by the customer. In accordance with the Law on payment and securities settlement systems, payment services and electronic money institutions, number 6493, the Group is liable to compensate for the rights of the fund holders. Considering these facts and circumstances, the Group has recognised restricted cash and the corresponding wallet deposit liability in its consolidated financial statements.

**Trade receivables**

A receivable is the Group's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured initially at the transaction price, and subsequently at amortized cost using the effective interest rate method, less provision for impairment.

**Contract balances**

*Contract assets*

When the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the contract as a contract asset, excluding any amounts presented as a receivable. Contract assets are subject to impairment assessment within the scope of expected credit loss calculation.

*Contract liabilities and merchant advances*

If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service, the Group presents the contract as a contract liability when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services).

Merchant advances consists of advances received from customers for marketplace transactions, where the Group acts as an agent. The Group earns a commission for these transactions. The amount of advances payable to a merchant, net of commissions, is credited as a payable to the merchant when delivery is complete.

**Financial assets**

The 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. During the period the Group did not hold any financial assets in the "fair value through other comprehensive income" category.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

**Financial assets (Continued)**

a) *Financial assets carried at amortized cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "contract assets", "financial investments" and "cash and cash equivalents" in the consolidated balance sheet.

*Impairment*

The Group applies the TFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Group has further concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles of sales over a period before reporting date and the corresponding credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. While cash and cash equivalents and financial investments carried at amortised cost are also subject to the impairment requirements of TFRS 9, the identified impairment loss was immaterial.

b) *Financial assets carried at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the consolidated balance sheet at fair value with net changes in fair value recognised in the consolidated statement of profit or loss. Financial assets at fair value through profit or loss consist of financial investments which are acquired to benefit from short-term price or other fluctuations in the market or which are a part of a portfolio aiming to earn profit in the short-run, irrespective of the reason of acquisition, and kept for trading purposes. Particularly, in 2021, the Group invested an amount of TRY 1,024,437 thousand for investment funds as financial asset which is valued by using Level 1 inputs. (Note 4).

**Trade payables and payables to merchants**

Trade payables mainly arise from the payables to retail suppliers related to the inventory purchases and services payables. It also includes payables to the marketplace merchants. Trade payables and payables to merchants are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**Related parties**

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, investments and associated companies are considered and referred to as related parties.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

**Inventories**

Inventories, comprising of trade goods, are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is defined as the initial cost. An entity may purchase inventories on deferred settlement terms. When the arrangement effectively contains a financing element, that element, for example a difference between the purchase price for normal credit terms and the amount paid, is recognised as interest expense over the period of the financing. The cost of inventories is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provision for inventories is accounted in cost of sales.

***Rebates***

The Group periodically receives consideration from certain suppliers, representing rebates for products sold and rebates that are depending on reaching minimum purchase thresholds for a specified period. The Group considers those rebates as a reduction to costs of inventory when the amounts are reliably measurable.

**Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that an asset is impaired. If any indication exists, the Group estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired. Impairment losses are recognized in statement of comprehensive loss.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (discounted cash flows an asset is expected to generate based upon management's expectations of future economic and operating conditions). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased.

Subsequent increase in the asset's recoverable amount due to the reversal of a previously recognized impairment loss cannot be higher than the previous carrying value (net of depreciation and amortization).

**Property and equipment and related depreciation**

Property and equipment are carried at cost less accumulated depreciation and are amortized on a straight-line basis. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the profit or loss of the statement of comprehensive loss as incurred. The cost includes expenditure that is directly attributable to the acquisition of the items. The assets' residual values and estimated useful economic lives are reviewed at the end of each reporting period and adjusted prospectively if appropriate. The depreciation periods for property and equipment, which approximate the useful lives of such assets, are as follows:

| | |
|---|---|
| Furniture and fixtures | 5-10 years |
| Leasehold improvements | 5 years |
| Motor vehicles | 5 years |

An impairment loss is charged to profit and loss for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price and value in use.

Gains or losses on disposals of property and equipment, which is determined by comparing the proceeds with the carrying amount, are included in the related income and expense accounts, as appropriate.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

**Intangible assets and related amortization**

Intangible assets comprise acquired software and rights. Acquired computer software licenses and rights are capitalized on the basis of costs incurred to acquire and bring to use the specific software. Software and rights costs are amortized over their estimated useful lives of 3 to 15 years.

**Website development costs**

Costs that are directly associated with the development of website and unique software products controlled by the Group are recognized as internally generated intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use or sale;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the development website and software include direct employee costs, an appropriate portion of relevant overhead and service costs incurred as part of the development.

Development costs that do not meet the criteria above are recognized as expense as incurred. Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs recognized as an asset are amortized over their estimated useful lives between 2 and 4 years. Amortization starts when the asset is ready for use (Note 10).

Capitalized development costs, stages of website development and useful lives are assessed in accordance with the requirements of SIC 32 Intangible Assets: Web Site Costs and TAS 38 Intangible Assets.

**Leases**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of lease.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.7 Summary of significant accounting policies (Continued)**

**Leases (Continued)**

***The Group as a lessee***

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

The non-lease components are not accounted for within the scope of TFRS 16.

For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a change in circumstances that:

- Is within the control of the Group,
- Affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right of use asset and a lease liability under the lease contract.

Short-term lease agreements with a lease term of 12 months or less and agreements determined by the Group as low value have been determined to be within the scope of the practical expedient included in TFRS 16. For these agreements, the lease payments are recognized as an other operating expense in the period in which they are incurred. Such expenses have no significant impact on Group's consolidated financial statements.

***Lease liability***

Lease liability is initially recognised at the present value of future lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by: (a) increasing the carrying amount to reflect interest on the 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.

The Group remeasures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate when: (a) there is a change in the lease term as a result of reassessment of the expectation to exercise a renewal option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or if not, its incremental borrowing rate at the date of reassessment.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

**Leases (Continued)**

Where: (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in the future lease payments resulting from a change in an index or a rate used to determine those payments, including changes to reflect changes in market rental rates following a market rent review, the Group remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate unless the change in lease payments results from a change in floating interest rates. In such case, the Group uses the revised discount rate that reflects the changes in the interest rate.

The Group recognises the amount of the remeasurement of lease liability as an adjustment to the right of use asset. When the carrying amount of the right of use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets;
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modifications that are not accounted for as a separate lease, the Group, at the effective date of the lease modification; (a) allocates the consideration in the modified contract; (b) determines the lease term of the modified lease; and (c) remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

***Right of use assets***

The right of use asset is initially recognised at cost comprised of:

- The amount of the initial measurement of the lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs incurred by the Group, and
- 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. These costs are recognised as part of the cost of right of use asset when the Group incurs an obligation for these costs. The obligation for these costs is incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

**Leases (Continued)**

Right of use assets are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization and impairment losses, and adjusted for any re-measurement of lease liabilities. Useful lives are determined over the shorter of its estimated useful life and the lease term. Useful lives of right of use assets are as follows:

| | **Useful lives** |
|---|---|
| Buildings | 2 - 5 years |
| Furniture and fixtures | 4 - 5 years |
| Software and rights | 3 - 15 years |
| Other | 2 - 3 years |

**Deferred income taxes**

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial statement purposes. Currently enacted or substantially enacted at period end tax rates are used to determine deferred income taxes.

Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences, tax losses and tax incentives are recognized to the extent that it is probable that future taxable profit or taxable temporary differences will be available against which the deductible temporary difference can be utilized. Deferred income tax assets and liabilities are presented net when there is a legally enforceable right to offset current tax receivables against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

**Provision for post-employment benefits**

Under the Turkish Labour Law, the Group is required to pay post-employment benefits to each employee who has completed one year of service and achieves the retirement age (58 for women and 60 for men), or whose employment is terminated without due cause, or is called up for military service, or dies.

Provision for post-employment benefits represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees calculated using the “Projected Unit Credit Method” and based on factors derived using the experience of personnel terminating their services.

The current service cost is recognized in the consolidated statement of comprehensive loss, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in profit or loss of the statement of comprehensive loss.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

#### Provisions, contingent assets and liabilities

*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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

*Contingent assets and liabilities*

Contingent liabilities are not recognized in the financial statements. They are disclosed only, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

*Commitments*

A commitment is an enforceable, legally binding agreement to make a payment in the future for the purchase of services. Commitments are not recognized in the financial statements, only disclosed since the Group has not yet received the services.

#### Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer. The Group evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When the Group obtains control of the goods or services before they are transferred to the customer, the Group is the principal in the transaction. If it is unclear whether the Group obtains control, an assessment is made as to whether the Group is the primary obligor for providing the goods, whether it is subject to inventory risk and if it has discretion in establishing prices to determine whether it controls the goods. When the Group controls the goods before they are transferred to the customer, revenues are recorded on a gross basis ("Retail"). When the Group does not obtain the control of the goods before they are transferred to the customer, revenues are recorded on a net basis ("Marketplace").

At contract inception, if the Group expects that the period between the transfer of the promised good or service and the payment is one year or less, the Group applies the practical expedient and does not make any adjustment for the effect of a significant financing component on the promised amount of consideration.

The Group launched its Loyalty Club in August 2020, which allows Loyalty Club customers to benefit from free deliveries, Loyalty Club specific campaigns, discounts and call center priority. The Group estimates the unused amount of these incentives (for example discounts) that will be redeemed and recognizes a liability, as necessary, with the corresponding reduction in revenue.

The Group launched Hepsipay Cüzdanım (Wallet), an embedded digital wallet product in June 2021 and introduced "Hepsipapel", a cashback points program that allows customers to earn and redeem points during purchases with the Wallet on the platform. The unused amount of cashback points provided to the customers are accounted as a liability and a revenue deduction.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

**Revenue recognition (Continued)**

*i. Sales of goods*

Sales of goods relate to transactions where the Group acts directly as the seller of goods purchased from the suppliers. In these transactions, the Group acts as the principal. Collections from the customer for the goods sold are made at the time orders are placed. Revenue is recognized when the goods are delivered to the customers. The Group recognizes revenue from sales of goods, net of return and cancellation allowances.

Variable consideration is common and takes various forms, including returns and discounts. Customers have a right to return goods within 14 days from delivery of the goods. A right of return is contractual. A customer exercising its right to return a good receives a full refund. The Group estimates future returns for its sales and recognizes a liability for the expected returns, as necessary. Discounts the Group provides to customers are recognized as a reduction of revenue.

*ii. Services revenues*

Service revenue includes marketplace commissions, transaction fees, charges for delivery services and other service revenues (mainly includes advertising revenues, fulfilment revenues and other commissions).

*Marketplace commission*

The Group offers a marketplace platform that enables third-party sellers ("merchants") to sell their products through www.hepsiburada.com. Marketplace commission represents commission fees charged to merchants for selling their goods through this platform. In the Marketplace sales, the Group does not obtain control of the goods before delivery of the goods to the customer. Upon sale, the Group charges the merchants a fixed rate commission fee based on the order amount. The Group recognizes revenue for the commission fee at completion of the order delivery. The Group records any commission revenue recognized net of any anticipated returns of commissions that might affect the consideration the Group will retain. The Group may, at times, provide discounts to the Marketplace customers. Any such discounts affect the amount of commission the Group will retain and are thus recognized as a reduction of revenue since they are a discount provided to a customer by the Group and therefore reduce the commission to be received.

*Transaction fees*

The Group also charges to its merchants a transaction fee for each order received. Such fees are recognized as revenue at the time the order is placed.

*Other contractual charges*

The Group charges contractual fees to its merchants mainly for late deliveries and cancellations caused by merchants. Such fees are recognized as revenue at a point in time.

*Delivery service revenues*

Except for some selected product categories, the Group collects shipping fees from its customers for order amounts less than a determined threshold. The Group also charges to its suppliers and merchants shipping fees based on an agreed price per order. Such shipping fees are recognized as revenue over time during the delivery period. The Group also provides cargo services to other e-commerce companies through its subsidiary, Hepsijet. Likewise, revenues generated through such cargo services are recognized over time during the delivery of the carried goods to the end customers.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

**Cost of sales**

Cost of sales consists of the purchase price of consumer products, including supplier's rebates and subsidies, write-downs and losses of inventories and shipping and packaging expenses.

**Borrowings**

All bank borrowings are initially recognised at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issuance costs and any discount or premium on settlement (Note 5).

**Supplier and merchant financing arrangements**

The Group carries out supplier and merchant financing arrangements with some of its suppliers and merchants in accordance with the agreements made between the Group, banks and those suppliers and merchants, that enable those suppliers and merchants to collect their receivables earlier than original due dates. When the original liability to a supplier or merchant has been extinguished or substantially modified (e.g. through change in original terms of the contract), the liabilities are classified as bank borrowings. Otherwise, the liabilities remain as trade payables.

**Share-based payments**

Share-based payment transactions are treated in accordance with TFRS 2. The standard encompasses all arrangements where an entity purchases goods and services in exchange for issue of an entity's equity instruments, or cash payments based on the fair value of the entity's equity instruments, unless the transaction is clearly for a purpose other than payment for goods and services supplied to the entity receiving them. In accordance with TFRS 2, the Group distinguishes between equity settled and cash settled plans. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost of equity settled plans granted on grant date is allocated on a pro rata basis over the expected vesting period against equity. For equity settled share-based payments, the value of the awards is fixed at the grant date. A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in payroll expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. A description of the existing share-based payment plan is disclosed in Note 13.

**Capital increases and dividends**

Ordinary shares are classified as equity. Pro-rata increases to existing shareholders are accounted for at par value as approved. Dividends on ordinary shares are recognized in equity in the period in which they are approved by the General Assembly Meeting.

**Foreign currency transactions and balances**

Foreign currency transactions during the period have been translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the statement of comprehensive loss in financial income or expense.

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

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.7 Summary of significant accounting policies (Continued)

**Segment reporting of financial information**

Operating segments are identified on the same basis as financial information is reported internally to the Group's chief operating decision maker ("CODM''), the Group's Board of Directors. The Group management determines operating segments by reference to the reports reviewed by the Board of Directors to make strategic decisions. The Board of Directors evaluates the operational results as a whole as one cash generating unit. No segmental information is presented in these consolidated financial statements, since no segmental financial information is reviewed by the CODM.

### 2.8 COVID-19

The World Health Organization characterized COVID-19 as a pandemic in March 2020. As of the date hereof, COVID-19 has spread widely around the world and new variants of the virus have emerged, resulting in the implementation of significant governmental measures in Turkey and globally, including lockdowns of manufacturing and logistics facilities, closures of businesses and offices, quarantines of individuals, and travel bans. COVID-19 and the measures taken to limit its spread have impacted consumer behaviour, including e-commerce shopping trends. During the COVID-19 pandemic, increased numbers of consumers in the Turkish market have shifted to e-commerce as a result of social distancing and other government restrictions, which resulted in the growth for demand for the Group's products and services. However, with the lifting of Turkey's lock down measures in July 2021, we observed some customer demand shifting back towards Turkish offline retailers, resulting in lower than anticipated online consumer activity and our operational and financial performance was negatively impacted. In March 2022, the Turkish government announced further lifting of Turkey's COVID-19 measures. As the full impact of the COVID-19 pandemic continues to evolve, it is uncertain what effect the pandemic will have on consumer behaviour and the demand for various goods and services may evolve.

## NOTE 3 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2021 and 2020 are as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Banks | | |
| - USD denominated time deposits | 3,749,139 | 269,702 |
| - TRY denominated time deposits | 14,212 | 296,747 |
| - TRY denominated demand deposits | 49,382 | 20,339 |
| - USD denominated demand deposits | 652 | 2,705 |
| - Other foreign currency deposits | 84 | 3,150 |
| | **3,813,469** | **592,643** |

The weighted average interest rates of time deposits denominated in TRY and USD at 31 December 2021 are 15% per annum and 1% per annum, respectively (2020: 17% per annum for TRY, 2% per annum for USD).

At 31 December 2021, cash and cash equivalents included interest accrual amounting to TRY864 thousand (2020: TRY362 thousand); consequently, cash and cash equivalents as reported in the consolidated statement of cash flows amounted to TRY3,812,605 thousand (2020: TRY592,281 thousand).

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

## NOTE 4 - FINANCIAL INVESTMENTS

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Financial assets measured at fair value through profit or loss | | |
| *Investment funds (*)* | 1,024,437 | - |
| Financial assets carried at amortised cost | | |
| *Time deposits (**)* | 133,615 | |
| | **1,158,052** | **-** |

(*) Financial assets measured at fair value through profit or loss consists of investment funds which include government and private sector debt instruments.
(**) The interest rate of time deposit denominated in USD at 31 December 2021 is 1% (2020: None) per annum and its maturity is five months (2020: None).

The movements of financial assets measured at fair value through profit or loss are as follows:

| **Beginning of the period - 1 January 2021** | **-** |
|---|---|
| Purchase of financial investments | 792,840 |
| Change in fair value recognized in the statement of comprehensive loss (Note 19) | (40,250) |
| Foreign exchange gains | 271,847 |
| **31 December 2021** | **1,024,437** |

The movements of financial assets carried at amortised cost are as follows:

| **Beginning of the period - 1 January 2021** | **-** |
|---|---|
| Purchase of financial investments | 89,367 |
| Foreign exchange gains | 43,923 |
| Interest accrual | 325 |
| **31 December 2021** | **133,615** |

## NOTE 5 - BANK BORROWINGS

| | 2021 | 2020 |
|---|---|---|
| Short-term bank borrowings | 193,184 | 347,436 |
| | **193,184** | **347,436** |

As of 31 December 2021, supplier and merchant financing loans make up TRY92,167 thousand of the short-term bank borrowings (2020: supplier and merchant financing loans make up TRY39,091 thousand of the short-term bank borrowings).

All bank borrowings are denominated in Turkish Lira. As of 31 December 2021, the average annual effective interest rate for bank borrowings is 23.25% and the average annual effective interest rate for supplier and merchant financing loans is 25.19% (2020: 19.89% for bank borrowings and 19.10% for supplier and merchant financing loans.

The Group's bank borrowings comprise fixed interest rate loans.

The movement schedule of the Group's bank borrowings is disclosed in Note 27.

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

## NOTE 6 - TRADE RECEIVABLES AND TRADE PAYABLES

### Trade receivables

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Due from non-related parties | 224,691 | 157,107 |
| Due from related parties (Note 25) | 2,184 | 3,408 |
| | **226,875** | **160,515** |

### Due from related parties

The receivables of the Group mostly consist of receivables from retail suppliers and corporate customers.

| | 2021 | 2020 |
|---|---|---|
| Trade receivables | 40,566 | 52,885 |
| Credit card receivables (*) | 159,160 | 76,287 |
| Receivables from suppliers (**) | 34,137 | 37,791 |
| Less: Provision for impairment of receivables | (9,172) | (9,856) |
| | **224,691** | **157,107** |

(*) Credit card receivables are due from banks and they are collectable in 44 days on average (2020: in 39 days on average) whereas they are collected in 21 days on average (2020: generally collected in 1-7 days, around 12% out of total, are collected in 28 days) if the Company elects to pay a commission to the banks.

(**) The Group issues rebate invoices to its suppliers and if the Group's rebate receivables from a supplier exceeds the payables owed to that specific supplier at the reporting date, the net receivable from that specific supplier is classified in trade receivables.

As of 31 December 2021, the Group does not have any overdue receivables except those receivables that are provided for (2020: None).

The movements in provision for impairment of receivables for the years ended 31 December 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| 1 January | **9,856** | **6,513** |
| Additions during the year | 3,293 | 3,375 |
| Collections | (3,977) | (32) |
| **31 December** | **9,172** | **9,856** |

### Trade payables

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Due to non-related parties | 9,047 | 3,930 |
| Due to related parties (Note 25) | 4,062,149 | 2,024,549 |
| | **4,071,196** | **2,028,479** |

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

## NOTE 6 - TRADE RECEIVABLES AND TRADE PAYABLES (Continued)

### Due to non-related parties

| | 2021 | 2020 |
|---|---|---|
| Payables to retail suppliers and service providers | 2,978,353 | 1,418,912 |
| Payables to merchants (*) | 1,083,796 | 605,637 |
| | **4,062,149** | **2,024,549** |

(*) Payables to merchants relate to amounts received by the Group for the products delivered by merchants to the customers, net of commissions, service charges and delivery costs.

As of 31 December 2021, supplier and merchant financing payables, included in payables to retail suppliers and service providers, amounts to TRY123,240 thousand (2020: TRY41,475 thousand).

The Group's average maturity of its outstanding payables is 42 days for retail suppliers and 21 days for merchandise suppliers (2020: 53 days for retail suppliers and 21 days for merchandise suppliers).

## NOTE 7 – OTHER PAYABLES

### Due to non-related parties

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Taxes and funds payable | 47,509 | 9,354 |
| | **47,509** | **9,354** |

## NOTE 8 - INVENTORIES

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Trade goods | 1,650,528 | 785,969 |
| Less: Provision for impairment | (11,048) | (15,828) |
| | **1,639,480** | **770,141** |

Inventories include TRY7,779 thousand of subsequently returned goods based on the Group's return policy.

The movements in provision for impairment of trade goods were as follows:

| | 2021 | 2020 |
|---|---|---|
| 1 January | 15,828 | 1,289 |
| Reversed | (15,828) | (1,289) |
| Charge for the year | 11,048 | 15,828 |
| **31 December** | **11,048** | **15,828** |

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

## NOTE 9 – PREPAID EXPENSES AND DEFERRED INCOME

**Short-term prepaid expenses:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Prepaid expenses | 63,246 | 14,071 |
| Advances given | 2,918 | 1,637 |
| | **66,164** | **15,708** |

**Long-term prepaid expenses:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Prepaid expenses | 4,798 | 2,584 |
| Advances given for fixed assets | - | 648 |
| | **4,798** | **3,232** |

**Short-term deferred income:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Received upfront fee under ADS program (*) | 17,617 | - |
| Deferred income from non-related parties | 1,082 | 6,337 |
| | **18,699** | **6,337** |

**Long-term deferred income**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Received upfront fee under ADS program (*) | 97,054 | - |
| Deferred income from non-related parties | 347 | - |
| | **97,401** | **-** |

(*) American Depository Shares ("ADS") fees collected under the depository service agreement for seven-year period, that was signed between the Group and depository bank and which is recognized as other income on a pro-rata basis.

## NOTE 10 - CONTRACT ASSETS AND CONTRACT LIABILITIES

**Contract assets:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Contract assets from merchandise and service sales | 7,351 | 55,737 |
| | **7,351** | **55,737** |

Contract assets represent earned but not invoiced commission income from merchandise sales and delivery services revenue. All contract assets are short-term and their maturities are less than 1 month (2020: less than 1 month).

**Contract liabilities:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Contract liabilities from merchandise and service sales | 219,241 | 150,698 |
| | **219,241** | **150,698** |

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

## NOTE 10 - CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

These amounts relate to undelivered orders and include contract liabilities, which will be released to revenues, as well as advances received from customers for marketplace transactions amounting to TRY 131,893 thousand (2020: TRY 94,408 thousand), where the Group acts as an agent, which are credited as a payable to the merchant when delivery is complete. Average delivery date varies between 1-4 days and contract liabilities are reclassified to trade payables when control of the products is transferred.

## NOTE 11 - PROPERTY AND EQUIPMENT

The movements in property and equipment and related accumulated depreciation during the years ended 31 December 2021 and 2020 were as follows:

| | 1 January 2021 | Additions | Disposals | 31 December 2021 |
|---|---|---|---|---|
| **Cost:** | | | | |
| Motor vehicles | 1,136 | 1,021 | (31) | 2,126 |
| Furniture and fixtures | 79,774 | 44,167 | (1,419) | 122,522 |
| Leasehold improvements | 26,985 | 8,403 | - | 35,388 |
| | | | | - |
| **Total** | **107,895** | **53,591** | **(1,450)** | **160,036** |
| **Accumulated depreciation:** | | | | |
| Motor vehicles | (229) | (273) | 31 | (471) |
| Furniture and fixtures | (38,720) | (14,392) | 1,039 | (52,073) |
| Leasehold improvements | (12,644) | (4,308) | - | (16,952) |
| **Total** | **(51,593)** | **(18,973)** | **1,070** | **(69,496)** |
| **Net book value** | **56,302** | | | **90,540** |

From depreciation and amortization expenses, TRY 96,349 thousand (2020: TRY 75,996 thousand) is included in general administrative expenses, TRY 44,576 thousand (2020: TL 17,187 thousand) is included in marketing, selling and distribution expenses.

| | 1 January 2020 | Additions | Disposals | 31 December 2020 |
|---|---|---|---|---|
| **Cost:** | | | | |
| Motor vehicles | 398 | 790 | (52) | 1,136 |
| Furniture and fixtures | 55,395 | 24,400 | (21) | 79,774 |
| Leasehold improvements | 25,087 | 1,898 | - | 26,985 |
| | - | | | |
| **Total** | **80,880** | **27,088** | **(73)** | **107,895** |
| **Accumulated depreciation:** | | | | |
| Motor vehicles | (135) | (132) | 38 | (229) |
| Furniture and fixtures | (29,917) | (8,818) | 15 | (38,720) |
| Leasehold improvements | (9,166) | (3,478) | - | (12,644) |
| **Total** | **(39,218)** | **(12,428)** | **53** | **(51,593)** |
| **Net book value** | **41,662** | | | **56,302** |

There is no collateral, pledge or mortgage on tangible assets as of 31 December 2021 (2020: None).

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

## NOTE 12 - INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortization during the years ended 31 December 2021 and 2020 were as follows:

| | 1 January 2021 | Additions (*) | Disposals | Transfer | 31 December 2021 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Acquired software and rights | 89,761 | 14,563 | (833) | 896 | 104,387 |
| Website development costs (**) | 152,777 | 158,833 | - | - | 311,610 |
| Other | 1,446 | 1,556 | (11) | (896) | 2,095 |
| **Total** | **243,984** | **174,952** | **(844)** | **-** | **418,092** |
| **Accumulated amortization:** | | | | | |
| Acquired software and rights | (68,118) | (12,770) | 660 | - | (80,228) |
| Website development costs | (86,479) | (48,587) | - | - | (135,066) |
| **Total** | **(154,597)** | **(61,357)** | **660** | **-** | **(215,294)** |
| **Net book value** | **89,387** | | | | **202,798** |

(*) Personnel bonus provision related to direct employee costs amounting to TRY 13,753 thousand is capitalized as part of the website development costs as of 31 December 2021.

(**) Website development costs include projects under development amounting to TRY 16,417 thousand (2020: TRY 12,270 thousand) which are not amortised yet as of 31 December 2021.

| | 1 January 2020 | Additions | Disposals | 31 December 2020 |
|---|---|---|---|---|
| **Cost:** | | | | |
| Acquired software and rights | 80,154 | 9,607 | - | 89,761 |
| Website development costs | 90,013 | 62,764 | - | 152,777 |
| Other | 1,586 | - | (140) | 1,446 |
| **Total** | **171,753** | **72,371** | **(140)** | **243,984** |
| **Accumulated amortization:** | | | | |
| Acquired software and rights | (56,837) | (11,281) | - | (68,118) |
| Website development costs | (51,568) | (34,911) | - | (86,479) |
| **Total** | **(108,405)** | **(46,192)** | **-** | **(154,597)** |
| **Net book value** | **63,348** | | | **89,387** |

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

## NOTE 13 - LEASES

### Right of use assets

| | 1 January 2021 | Additions | Disposals | Remeasurement | 31 December 2021 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Buildings | 130,504 | 33,996 | - | 14,783 | 179,283 |
| Furniture and fixtures | 69,876 | 59,164 | - | - | 129,040 |
| Software and rights | 24,149 | 12,077 | - | - | 36,226 |
| Other | 35,931 | 20,347 | - | - | 56,278 |
| **Total** | **260,460** | **125,584** | **-** | **14,783** | **400,827** |
| **Accumulated amortization:** | | | | | |
| Buildings | (84,937) | (21,404) | - | - | (106,341) |
| Furniture and fixtures | (21,945) | (19,722) | - | - | (41,667) |
| Software and rights | (12,774) | (7,354) | - | - | (20,128) |
| Other | (14,821) | (12,115) | - | - | (26,936) |
| **Total** | **(134,477)** | **(60,595)** | **-** | **-** | **(195,072)** |
| **Net book value** | **125,983** | | | | **205,755** |

| | 1 January 2020 | Additions | Disposals | Remeasurement | 31 December 2020 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Buildings | 101,274 | 22,098 | - | 7,132 | 130,504 |
| Furniture and fixtures | 28,529 | 41,347 | - | - | 69,876 |
| Software and rights | 21,868 | 2,281 | - | - | 24,149 |
| Other | 13,419 | 22,512 | - | - | 35,931 |
| **Total** | **165,090** | **88,238** | **-** | **7,132** | **260,460** |
| **Accumulated amortization:** | | | | | |
| Buildings | (71,951) | (12,986) | - | - | (84,937) |
| Furniture and fixtures | (11,825) | (10,120) | - | - | (21,945) |
| Software and rights | (7,442) | (5,332) | - | - | (12,774) |
| Other | (8,696) | (6,125) | - | - | (14,821) |
| **Total** | **(99,914)** | **(34,563)** | **-** | **-** | **(134,477)** |
| **Net book value** | **65,176** | | | | **125,983** |

There is not any restriction on lease contracts as of 31 December 2021 (2020: None).

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

## NOT 13 – LEASES (Continued)

### Lease liabilities

| | 2021 | 2020 |
|---|---:|---:|
| Short-term lease liabilities | 109,310 | 51,211 |
| Long-term lease liabilities | 101,940 | 92,845 |
| | **211,250** | **144,056** |

Maturity analysis of lease liabilities is disclosed in Note 22 and the movement of lease liabilities is disclosed in Note 24.

Lease liabilities are discounted using the Group's incremental borrowing rates and implicit rate in the lease (where applicable). As of 31 December 2021, the weighted average annual incremental borrowing rates of the Group for TRY is 21% (2020: TRY 17%, Euro 4.28%).

The Group has adopted the practical expedient included in TFRS 16 for short-term lease agreements with a lease term of 12 months or less and lease agreements determined by the Group as having a low value. The Group accounts for the lease payments in other operating expenses in the period in which they are incurred. Such expenses are not material to the Group's consolidated financial statements.

## NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSET AND LIABILITIES

### Short term provisions

| | 2021 | 2020 |
|---|---:|---:|
| Provision for Competition Authority investigation (Note 30) (*) | 127,525 | - |
| Provision for legal disputes (**) | 4,897 | 3,734 |
| | **132,422** | **3,734** |

(*) In April 2021, the Turkish Competition Authority (the "TCA") initiated an investigation against 32 companies regarding anti-competitive agreements in the labor markets (including companies operating in the e-commerce, retail, broadcasting and fast-food industries, but excluding the Group). On 18 August 2021, the Group received a notification from the TCA stating that the Competition Board, the executive body of the TCA, had decided to initiate an investigation on 5 August 2021 against 11 companies including Hepsiburada the subject of which is same with the existing April 2021 investigation and merged these two investigations. The Group received TCA's report on the investigation on April 18th, 2022. In the investigation report the rapporteurs are of the opinion that we are in violation of the Competition Law which prohibits anti-competitive agreements in the labor markets and administrative fine will be imposed. It is important to state that this report shows the opinion of the rapporteurs, and the Competition Board will make the final decision. The Group expects that the final decision will be rendered within the next 6 months. If the Competition Board considers that there is a violation in line with the report of the rapporteurs, according to the "Regulation on Fines to Apply in Cases of Agreements, Concerted Practices and Decisions Limiting Competition, and Abuse of Dominant Position" (Penal Regulation), a ratio between 2% and 4% of the D-Market's standalone annual net revenue as per statutory financial statements prepared in accordance with tax legislation, of the previous year (2021) shall be taken as a basis for penalty. Since the management and legal advisors concluded that the cash outflow is probable, the Group recognized a provision amounting to TRY 127,525 thousand in its consolidated financial statements, as its best estimate. The amount was calculated by applying 2% to the D-Market's standalone annual net revenue as per statutory financial statements prepared in accordance with the tax legislations for the year ended 31 December 2021 and reduced by 25% for early payment discount on the amount calculated, if the administration fine will be paid within 30 days, an option which the management will exercise.

(**) Legal disputes mainly comprise labour lawsuits claimed against the Group.

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

## NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSET AND LIABILITIES (Continued)

The movements in provisions for the years ended 31 December 2021 and 2020 are as follows:

| | 1 January 2021 | Current year charge | Paid during the year | 31 December 2021 |
|---|---|---|---|---|
| Competition Authority investigation | - | 127,525 | - | 127,525 |
| Legal disputes | 3,734 | 1,721 | (558) | 4,897 |
| | **3,734** | **129,246** | **(558)** | **132,422** |

| | 1 January 2020 | Current year charge | Paid during the year | 31 December 2020 |
|---|---|---|---|---|
| Legal disputes | 1,866 | 2,674 | (806) | 3,734 |
| | **1,866** | **2,674** | **(806)** | **3,734** |

### Contingent liabilities

In February 2019, the TCA initiated a preliminary inquiry in response to the claim that the Group and one of its supplier violated the Act no. 4054 by means of a most favoured customer clause, discrimination, restriction of intra-brand competition, refusal to deal and resale price maintenance. As a result of the preliminary inquiry, the TCA decided to initiate an investigation into the Group and its supplier. On 15 April 2021, the Competition Board, the executive body of the TCA, concluded its investigation and issued its decision in favour of the Group, indicating that the Group did not hold a dominant position in the relevant market and did not breach the Turkish competition law. No fines were imposed to the Group as a result of this investigation. The TCA issued its reasoned decision on 11 October 2021. Following the issuance of the reasoned decision of the TCA, any third-party (including the party who initially raised the complaint) will have to object to such decision within 60 days at the Ankara administrative courts. To the best of management's knowledge, there has been no objection to the written reasoned decision yet. No provision has been recognised in these consolidated financial statements in relation to this investigation since a probable outflow of economic benefits is deemed to be unlikely in consideration of the conclusion of the TCA's executive body in favour of the Group.

In July 2020, the Group received a request from the Turkish tax authority for the initiation of a tax audit for the years 2019 and 2018 with regards to corporate income tax and VAT. The Group submitted its books and records to the Turkish tax authority in August 2020 and as of the approval date of these financial statements, tax investigation and submission of the requested information to the tax authority are ongoing and the Group has not received any further specific notification from the tax authority. The Group management and its tax advisors believe that the investigation is routine and ordinary. The Group management and its tax advisors believe that there is no significant uncertain tax position of the Group for the respective years. Based on these facts, no provision has been recognized in these consolidated financial statements. Moreover, the ongoing tax audit is closed in terms of corporate income tax by increasing the CIT base within the scope of "Law regarding the Restructuring of Certain Receivables" ("Tax Amnesty Law") numbered 7326 that has been launched in Turkey in June 2021 (Note 24).

On September 28, 2021, a shareholder filed a putative class action complaint against the Company, members of the Company's management and Board, and various other defendants in the Supreme Court of the State of New York. The case is pending in the Supreme Court of the State of New York in the United States. The plaintiff asserts causes of action against the Company and the other defendants for alleged violations of the Securities Act of 1933, as amended, based on allegedly misleading statements in the Registration Statement and Prospectus the Company filed with the U.S. Securities and Exchange Commission in connection with its initial public offering in the U.S..

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

## NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSET AND LIABILITIES (Continued)

On October 21, 2021, alleged holder of Company's American Depository Shares' filed a putative class action complaint against the Company, members of the Company's management and Board, and various other defendants in the United States District Court for the Southern District of New York. The case is pending in the United States District Court for the Southern District of New York. The plaintiff asserts causes of action against the Company and the other defendants for alleged violations of the Securities Act of 1933, as amended, based on allegedly misleading statements in the Registration Statement and Prospectus the Company filed with the U.S. Securities and Exchange Commission in connection with its initial public offering in the U.S..

The cases are at a very early stage. At this time, the Company's legal advisors are unable to form a judgment, as to whether an ultimate outcome unfavorable to the Company in the matters described above is either "probable" or "remote". Based on these facts and due to the uncertainty as to the final outcome of the litigation, no provision has been recognized in these consolidated financial statements.

### Contingent asset

The Group initiated a set of lawsuits against the tax authority in the year 2020 and 2021 for the collection of previously paid withholding tax amounts in connection with the advertising services received from digital advertising platforms. The lawsuits are driven by the uncertainties and complexities of the application of double tax treaty rules. The primary court has ruled in favour of the Group in 2021 for fifteen litigations amounting to TRY50 million out of a total claim amount of approximately TRY54 million TRY50 million has been collected and recognised as other operating income (Note 17). This decision can be appealed by the tax authority, as one of the fifteen favourable decisions was appealed by the tax authority in 2021. The remaining cases are still in judicial process. Due to the uncertainty for the final outcome, the Group management has not recognized any income accrual in respect to these claims.

### Letters of guarantee given

The letters of guarantee provided to public institutions and suppliers are amounting to TRY933,444 thousand at 31 December 2021 (2020: TRY578,803 thousand).

### Commitments

As at 31 December 2021, outstanding purchase commitments with respect to the acquisition of capital expenditures and purchase of technology and other services amounted to TRY105,954 thousand (2020: TRY10,479 thousand).

## NOTE 15 – EMPLOYEE BENEFITS

### Employee Benefit Related Liabilities

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Payables to personnel | 36,755 | 16,195 |
| Social security premiums payable | 11,945 | 5,989 |
| | **48,700** | **22,184** |

### Short term provisions for employment benefits

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Provision for personnel bonus (*) | 53,029 | 13,464 |
| Provision for unused vacation | 17,700 | 9,344 |
| | **70,729** | **22,808** |

(*) Personnel bonus provision related to direct employee costs amounting to TRY13,753 thousand is capitalized as part of the website development costs as of 31 December 2021 (Note 12).

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

**NOTE 15 – EMPLOYEE BENEFITS (Continued)**

The movements in provisions for personnel bonus and unused vacation for the years ended 31 December 2021 and 2020 are as follows:

| | 1 January 2021 | Current year charge | Paid during the year | 31 December 2021 |
|---|---|---|---|---|
| Personnel bonus | 13,464 | 53,029 | (13,464) | 53,029 |
| Unused vacation | 9,344 | 10,862 | (2,506) | 17,700 |
| | **22,808** | **63,891** | **(15,970)** | **70,729** |

| | 1 January 2020 | Current year charge | Paid during the year | 31 December 2020 |
|---|---|---|---|---|
| Personnel bonus | 10,433 | 13,464 | (10,433) | 13,464 |
| Unused vacation | 5,278 | 4,857 | (791) | 9,344 |
| | **15,711** | **18,321** | **(11,224)** | **22,808** |

**Long term provision for employee benefits**

| | 2021 | 2020 |
|---|---|---|
| Provision for post-employment benefits | 5,297 | 3,299 |
| | **5,297** | **3,299** |

*Post-employment benefits*

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The maximum amount payable equivalent to one month’s salary for each year of service limited to a maximum of TRY8,284.51 for each year of service at 31 December 2021 (2020: TRY7,117.17).

Post-employment benefit liability is not funded and there is no legal funding requirement.

TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the Group’s obligation under the defined benefit plans. Actuarial gain/(loss) is accounted under the “Actuarial gain/(loss) on the equity”. The following actuarial assumptions are used in the calculation of the total liability:

| | 2021 | 2020 |
|---|---|---|
| Discount rate (%) | 3.93 | 3.89 |
| Probability of retirement (%) | 77.21 | 81.62 |

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The retirement pay provision ceiling TRY10,848.59 (exact) which is effective from 1 January 2022, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2020: TRY7,638.96 (exact) effective from 1 January 2021).

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

## NOTE 15 – EMPLOYEE BENEFITS (Continued)

### Long term provision for employee benefits (Continued)

The movements in the provision for the post-employment benefit for the years ended 31 December 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| **At 1 January** | **3,299** | **1,970** |
| Charge for the year | 1,306 | 571 |
| Interest cost | 407 | 232 |
| Actuarial losses | 3,290 | 1,984 |
| Payments during the year | (3,005) | (1,458) |
| **At 31 December** | **5,297** | **3,299** |

*Share-based payments*

On 25 March 2021 the Group approved a new share-based payment plan to some of its key management personnel which modified the previously created share-based payment plans. Additionally, on 31 July 2021, the Group decided to grant to some of its other executives, a share-based plan with similar terms offered to its executives. The share-based payment plans consist of a cash settlement clause (20% of the total share-based payment award) in the event that an initial public offering (''IPO'') takes place until 2021 year-end and at least 20% of the Company's shares are sold in the IPO (non-market performance condition). Both the cash and equity settlement (which depend on the valuation of the shares during the IPO) take place only in case the valuation of the Company's shares in the IPO achieves a certain threshold (market performance condition). The same plan has an equity settlement clause where the executives will be entitled to receive Company's shares based on the value of the shares in the IPO (20% of the share-based payment award for each year starting from 18 months after the IPO for the next 3 years). Shares are delivered to executives in the condition that they continue working for the Company in the respective payment dates (service condition). Remaining 20% of the share-based payment plan will be delivered on the above same dates to executives in terms of Company's shares based on Company's meeting at least 90% of its business plans as of respective years (non-market performance condition) and depending on their performance in the relevant period as determined by the Board of Directors.

With the closing of the IPO in July 2021 and because certain thresholds for the valuation of the Company's shares in the IPO were achieved, the necessary conditions were met for the cash settlement clause and the Company paid the cash settled part of the plan in 2021 amounting to TRY 121.2 million and recognised in payroll and outsource staff expenses.

The equity settled payments are triggered upon meeting certain "vesting" and "performance target" conditions which are evaluated separately. Service-based awards will vest in three tranches until 31 January 2025. The cost of equity settled plans granted on grant date is allocated over the expected vesting period against equity on a pro rata basis. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. Fair value calculation prior to the realization of IPO was performed using a combination of income approach and market approach. For equity-settled plans granted after the realization of IPO, fair value of shares traded in NASDAQ at grant date was used.

As of 31 December 2021, no share-based payment provision has been recognized for the performance target-based awards since the relevant criteria have not yet been set.

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

## NOTE 15 – EMPLOYEE BENEFITS (Continued)

### Long term provision for employee benefits (Continued)

The following table summarizes the Group's granted share units:

| | Number of units | Weighted average grant date fair value |
|---|---|---|
| **Outstanding as of 31 December 2020** | **-** | **-** |
| Units granted | 2,741,112 | 114.66 |
| Units vested | (743,681) | 114.66 |
| Units forfeited (not yet vested) (*) | (317,310) | 114.66 |
| **Outstanding as of 31 December 2021** | **1,680,121** | **114.66** |

(*) Forfeited but not yet vested units consist of granted units on 25 March 2021 and forfeited before vesting period.

During 2021, the fair value of granted share units that vested is TRY85,270 thousand included in "other capital reserves" in the statement of changes in equity and in payroll and outsource staff expenses in the statement of comprehensive loss. Scheduled vesting of outstanding restricted stock units as of 31 December 2021 is as follows:

| | |
|---|---|
| 2022 | 1,009,525 |
| 2023 | 460,676 |
| 2024 | 197,934 |
| 2025 | 11,986 |
| **Total** | **1,680,121** |

## NOTE 16 - OTHER ASSETS AND LIABILITIES

### Other current assets

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Value added tax ("VAT") receivables | 124,004 | 82,768 |
| Other | 4,917 | 9,412 |
| | **128,921** | **92,180** |

### Other non-current assets

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| VAT receivables (*) | 292,147 | - |
| Other | 313 | 222 |
| | **292,460** | **222** |

(*) VAT receivables that are expected to be offset against VAT payables in more than one year have been classified as other non-current assets..

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

## NOTE 16 - OTHER ASSETS AND LIABILITIES (Continued)

### Other current liabilities

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Expense accruals | 27,118 | 11,879 |
| Refund liabilities | 8,505 | - |
| Other (*) | 13,012 | 2,025 |
| | **48,635** | **13,904** |

(**) Other liabilities mainly consist of withholding tax refunds in the amount of TRY 8,526 thousands which will be paid to our digital advertising suppliers.

## NOT 17 – EQUITY

### Share capital

As of 31 December 2021, the Group's authorised and paid-in share capital consists of 325,998,290 (2020: 56,865,658) shares with TRY0.2 (2020: TRY1) nominal value each. As of 31 December 2021, 40,000,000 of the shares consist of A group shares (owned by Hanzade Vasfiye Doğan Boyner) and the remaining 285,998,290 shares are B group shares (owned by other shareholders).

In Ordinary and Extraordinary General Assembly meetings, each Class A share grants 15 (fifteen) votes to the shareholders who own these shares and each of Class B share grants one vote to the shareholders, provided that provisions of the Turkish Commercial Code are reserved.

Share capital as of 31 December 2021 and 2020 is as follows:

| | 2021 | Share (%) | 2020 | Share (%) |
|---|---|---|---|---|
| Turk Commerce B.V. | 9,500 | 14.57 | 14,216 | 25.00 |
| Hanzade Vasfiye Doğan Boyner | 13,973 | 21.43 | 13,973 | 24.57 |
| Vuslat Doğan Sabancı | 9,708 | 14.89 | 9,708 | 17.07 |
| Yaşar Begümhan Doğan Faralyalı | 9,708 | 14.89 | 9,708 | 17.07 |
| Arzuhan Doğan Yalçındağ | 8,854 | 13.58 | 8,854 | 15.57 |
| Işıl Doğan | 407 | <1 | 407 | <1 |
| Public shares | 13,050 | 20.02 | - | - |
| | **65,200** | **100** | **56,866** | **100** |

### Share premium

| | 2021 | 2020 |
|---|---|---|
| Share premium | 4,260,737 | 187,465 |
| | **4,260,737** | **187,465** |

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

## NOT 17 – EQUITY (Continued)

*Increase in share capital and share premium*

At the extraordinary General Assembly meeting ("GAM") dated 25 May 2021, it was decided that the Company adopts the registered capital system as per the provisions of the Turkish Commercial Code numbered 6102 and nominal value of each share has been determined as TRY 0.20. Upon this GAM, the issued share capital of the Company was divided into 284,328,290 registered shares each with a nominal value of TRY 0.20.

On Board of Directors meeting dated 5 July 2021, the shareholders have decided to increase the share capital of the Company by amounting to TRY 8,334 thousand reaching to TRY 65,200 thousand through injection of additional capital. In addition to the capital increase, it has been decided to undertake a share premium of TRY 4,107,870 thousand and to issue 41,670,000 class B shares with premium.

Shareholders have assigned new issued class B ordinary shares to underwriters amounting to TRY8,334 thousand for 41,670,000 shares with TRY0.2 nominal value each for IPO of American Depositary Shares.

On 6 July 2021, the Group received TRY4,116,204 thousand proceeds from the IPO in Nasdaq and TRY8,334 thousand was accounted as a capital increase since the IPO completed through capital increase and TRY4,073,272 thousand was accounted as a share premium, after deducting transaction costs. The Group incurred TRY54,178 thousand of transaction costs directly related to the offering and TRY34,598 thousand of transaction costs netted off from share premium.

The Group had a capital inadequacy matter as per the Article 376 of the Turkish Commercial Code ("TCC") as of 31 December 2020. As of 31 December 2021, the Group does not have a capital inadequacy matter as per the Article 376 of the TCC as result of the equity increase through the IPO proceeds.

### Restricted reserves

| | **2021** | **2020** |
|---|---|---|
| Restricted reserves | 1,586 | 1,586 |
| | **1,586** | **1,586** |

The restricted ("legal") reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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

## NOTE 18 – REVENUE AND COST OF SALES

**Revenue:**

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|---:|---:|
| Sales of goods | 6,134,367 | 5,301,943 |
| Marketplace revenues (*) | 601,322 | 603,249 |
| Delivery service revenues | 740,179 | 445,891 |
| Other (**) | 82,153 | 24,644 |
| | **7,558,021** | **6,375,727** |

(*) Marketplace revenues mainly consists of marketplace commission, transaction fees and other contractual charges to the merchants.
(**) Other revenue mainly includes advertising revenues, fulfilment revenues and other commissions.

The Group derives revenue from the sales of goods, marketplace revenues and other revenues at a point in time. Delivery service revenues are recognized over time. All contracts are for periods of the expected original duration of one year or less.

The Group's revenues are generated in Turkey and the Board of Directors evaluates the operational results as a whole as one cash generating unit, therefore no disaggregated geographical information is presented.

**Cost of sales:**

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|---:|---:|
| Cost of merchandise sales | (5,709,482) | (4,849,148) |
| Shipping and packaging expenses | (952,565) | (540,496) |
| | **(6,662,047)** | **(5,389,644)** |

## NOTE 19 – MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

**Marketing, selling and distribution expenses:**

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|---:|---:|
| Advertising expenses | (1,498,240) | (646,153) |
| Personnel expenses | (380,300) | (205,432) |
| Depreciation and amortization | (44,576) | (17,187) |
| Consultancy expenses | (1,633) | (1,139) |
| Technology expenses | (280) | (174) |
| Other | (38,256) | (24,419) |
| | **(1,963,285)** | **(894,504)** |

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

## NOTE 19 – MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

**General administrative expenses:**

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|---|---|
| Personnel expenses | (425,763) | (119,801) |
| Depreciation and amortization | (96,349) | (75,996) |
| Technology expenses | (60,770) | (31,543) |
| Consultancy expenses | (58,305) | (10,054) |
| Other | (44,623) | (16,326) |
| | **(685,810)** | **(253,720)** |

## NOTE 20 – EXPENSES BY NATURE

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|---|---|
| Cost of merchandise sales | (5,709,482) | (4,849,148) |
| Advertising expenses | (1,498,240) | (646,153) |
| Shipping and packaging expenses | (952,565) | (540,496) |
| Personnel expenses | (806,063) | (325,233) |
| Depreciation and amortization (Note 10, 11, 12) | (140,925) | (93,183) |
| Technology expenses | (61,050) | (31,717) |
| Consultancy expenses | (59,938) | (11,194) |
| Other | (82,879) | (40,744) |
| | **(9,311,142)** | **(6,537,868)** |

## NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

**Other income from operating activities**

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|---|---|
| Withholding tax return income (*) | 49,945 | - |
| Interest income on credit sales | 33,381 | 18,622 |
| Foreign currency exchange gains | - | 11,067 |
| Interest income on sales | 11,646 | 5,794 |
| Depository income | 8,747 | - |
| Service income | 2,447 | - |
| Grant income | 2,300 | - |
| Bank promotion income | 2,702 | 1,597 |
| Other | 13,253 | 6,268 |
| | **124,421** | **43,348** |

(*) As explained in note 14, withholding tax return income consists of collections of previously paid withholding tax amounts in connection with the advertising services received from digital advertising platforms.

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

## NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (Continued)

### Other expense from operating activities

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|---|---|
| Foreign currency exchange losses | (341,453) | (44,164) |
| Provision for Competition Authority investigation | (127,525) | - |
| Interest expenses on purchases | (83,710) | (66,616) |
| Credit card processing | (23,718) | (18,596) |
| Provision for doubtful receivables | (3,293) | (3,375) |
| Credit card chargebacks | (4,546) | (1,990) |
| Other | (10,069) | (2,764) |
| | **(594,314)** | **(137,505)** |

## NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

| **Income from investment activities** | 1 January- 31 December 2021 | 1 January- 31 December 2020 |
|---|---|---|
| Foreign currency exchange gains | 315,770 | - |
| Interest income | 325 | - |
| | **316,095** | **-** |

| **Expenses from investment activities** | 1 January- 31 December 2021 | 1 January- 31 December 2020 |
|---|---|---|
| Fair value losses (Note 4) | (40,250) | - |
| | **(40,250)** | **-** |

## NOTE 23 - FINANCIAL INCOME AND EXPENSES

| **Financial income** | 1 January- 31 December 2021 | 1 January- 31 December 2020 |
|---|---|---|
| Foreign currency exchange gains | 1,756,144 | 46,402 |
| Interest income | 42,203 | 21,017 |
| | **1,798,347** | **67,419** |

| **Financial expenses** | 1 January- 31 December 2021 | 1 January- 31 December 2020 |
|---|---|---|
| Commission expenses due to | (461,270) | (225,243) |
| early collection of credit card receivables | (87,584) | (56,619) |
| Foreign currency exchange losses | (1,997) | (640) |
| Other | (405) | (3,135) |
| | **(551,256)** | **(285,637)** |

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

## NOTE 24 - TAXATION ON INCOME (INCULDING DEFERRED TAX ASSET AND LIABILITIES)

The reconciliation of the taxation on income are as follows:

| | 1 January-<br>31 December 2021 | 1 January-<br>31 December 2020 |
|---|---|---|
| Loss before income taxes | **(700,078)** | **(474,516)** |
| Calculated tax | 175,020 | 104,394 |
| Effect of disallowable expenses | (37,552) | (6,243) |
| Deferred income tax assets not recognized | (137,468) | (98,151) |
| **Income tax expense** | **-** | **-** |

**Current income tax assets**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Prepaid taxes and funds | 4,702 | 2,907 |
| | **4,702** | **2,907** |

***Current income tax***

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006. Most of the articles of this new Law No. 5520 have come into force effective from 1 January 2006, setting the corporate tax rate as 20%. Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. With the provisional article 13 added to the Corporate Tax Law and with the 11th article of the Law 7316 published in the Official Gazette dated April 22, 2021, the corporate tax rate, which was 20% as of 31 December 2020, will be applied at the rate of 25% for the corporate earnings in 2021 and 23% for the corporate earnings in 2022.

Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption etc.) and income tax deductions (for example research and development expenses deduction). No further tax is payable unless the profit is distributed.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2021, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 25% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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

**NOTE 24 - TAXATION ON INCOME (INCULDING DEFERRED TAX ASSET AND LIABILITIES) (Continued)**

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

***Deferred income taxes***

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TFRS and their tax records. These differences usually result in the recognition of income and expenses in different reporting periods for TFRS and tax purposes.

As of 31 December 2021, the Group has not accounted for deferred income tax assets on its carry forward tax losses, unused tax incentives (although such incentives have no expiry date) and other deductible temporary differences amounting to TRY259,715 (2020: TRY154,245), TRY55,477 (2020: TRY23,879) and TRY20,486 (2020: TRY16,179), respectively, due to the uncertainties as to the realization of such deferred tax assets in the foreseeable future.

| | **Total temporary differences** | | **Deferred income tax assets/(liabilities)** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| **Deferred income tax assets:** | | | | |
| Carry forward tax losses | 1,129,197 | 771,226 | 259,715 | 154,245 |
| Tax incentives | 241,206 | 119,397 | 55,477 | 23,879 |
| Right of use assets and related lease liabilities | 28,816 | 33,040 | 6,628 | 6,608 |
| Provision for impairment of trade goods | 10,151 | 10,462 | 2,335 | 2,092 |
| Accrued expenses, contract liabilities and merchant advances | 3,195 | 12,670 | 717 | 2,534 |
| Property and equipment and intangible assets | 55,357 | 23,578 | 11,071 | 4,716 |
| Other | 13,553 | 2,910 | 3,154 | 582 |
| **Total** | **1,481,475** | **973,283** | **339,097** | **194,656** |
| **Deferred income tax liabilities:** | | | | |
| Prepaid expenses | (3,404) | (1,763) | (783) | (353) |
| Trade payables and payables to merchants | (11,461) | - | (2,636) | - |
| **Total** | **(14,865)** | **(1,763)** | **(3,419)** | **(353)** |
| Non recoverable deferred tax assets | | | 335,678 | 194,303 |
| **Deferred income tax assets, net** | | | **-** | **-** |

Since the applicable tax rate will be changed to 20% for the following years beginning from 1 January 2023, 23% tax rate is used in the deferred tax calculation of 31 December 2021 for the temporary differences expected to be realized/closed within 1 years. However, since the corporate tax rate after 2022 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2022.

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

## NOTE 24 - TAXATION ON INCOME (INCULDING DEFERRED TAX ASSET AND LIABILITIES) (Continued)

The expiration dates of tax losses which the Group has not recognised any deferred income tax asset are as follows:

| | 2021 | 2020 |
|---|---|---|
| 2021 | - | 32,445 |
| 2022 | 53,838 | 59,591 |
| 2023 | 65,639 | 145,173 |
| 2024 | 48,458 | 101,937 |
| 2025 | 413,723 | 432,080 |
| 2026 | 547,539 | - |
| **Total** | **1,129,197** | **771,226** |

Within the scope of "Law regarding the Restructuring of Certain Receivables" ("Tax Amnesty Law") numbered 7326 that has been launched in Turkey in June 2021, D-Market voluntarily increased its corporate income tax ("CIT") base for the years ended 2018 and 2019, D-Ödeme and D-Fast for the years ended 2018, 2019 and 2020 and half of previous years' losses related to the fiscal years in which tax bases have been increased cannot be benefitted in the following years. The Group paid TRY146 thousand to increase its CIT base voluntarily and the Group will not be subjected to any tax investigation related to the CIT taxes for related years within the scope of tax amnesty. In addition, the ongoing tax audit is closed in terms of corporate income tax by increasing the CIT base.

## NOTE 25 - BALANCES AND TRANSACTIONS WITH SHAREHOLDERS AND OTHER RELATED PARTIES

**Remuneration of key management personnel:**

The remuneration of key management personnel (directors and members of executive management) for the years ended 31 December 2021 and 2020 are as follows;

| | 2021 | 2020 |
|---|---|---|
| Salaries and other short-term employee benefits | 310,105 | 63,165 |

Salaries and other short-term employee benefits include cash settled share based payments amounting to TRY 121.2 million and equity settled share based payments amounting to TRY 85.3 million in 2021.

**Balances with related parties at 31 December 2021 and 2020:**

All related parties listed below are controlled by the Doğan Family members.

**Due from related parties:**

| | 2021 | 2020 |
|---|---|---|
| Doğan Dış Ticaret ve Mümessillik A.Ş. ("Doğan Dış Ticaret") | 1,822 | 1,404 |
| Mutlu Erturan (*) | - | 1,500 |
| Other | 362 | 504 |
| | **2,184** | **3,408** |

(*) In September 2020, the Company provided non-interest bearing loan of TRY1,500 thousand to an executive officer, Mutlu Erturan. The loan was fully repaid by 5 March 2021.

Amounts due from other related parties mainly resulted from sale of trade goods and non-interest bearing loan provided to an executive officer.

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

## NOTE 25 - BALANCES AND TRANSACTIONS WITH SHAREHOLDERS AND OTHER RELATED PARTIES (Continued)

**Due to related parties:**

| | **2021** | **2020** |
|---|---|---|
| Doruk Faktoring A.Ş. | 4,469 | - |
| Doğan Yayınları Yayıncılık ve Yapımcılık Ticaret A.Ş. (“Doğan Yayıncılık”) | 1,728 | 1,745 |
| Mesiar Medya Sigorta Aracılık Hizmetleri A.Ş. | 1,607 | 1,091 |
| Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. | 77 | 259 |
| Değer Merkezi Hizmetler ve Yönetim A.Ş. | 8 | 492 |
| Other | 1,15 | 343 |
| | **9,047** | **3,930** |

Amounts due to related parties mainly resulted from purchase of inventories, advertising services, head quarter rentals and payables due to merchant financing arrangements.

**Service and product sales to related parties:**

All related parties listed below are controlled by the Doğan Family members.

| | **1 January- 31 December 2021** | **1 January- 31 December 2020** |
|---|---|---|
| Nesine | 1,774 | 1,692 |
| Doğan Yayıncılık | 1,288 | 1,066 |
| Doğan Portal ve Elektronik Ticaret A.Ş. (“Doğan Portal”) | 1,229 | 595 |
| Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. | 764 | 248 |
| Glokal Dijital Hizmetler ve Pazarlama A.Ş. | 740 | 618 |
| Değer Merkezi Hizmetler ve Yönetim A.Ş. | 606 | 393 |
| Aydın Doğan Vakfı | - | 1,226 |
| Other | 2,166 | 1,999 |
| **Total** | **8,567** | **7,837** |

**Service and product purchases from related parties:**

| | **1 January- 31 December 2021** | **1 January- 31 December 2020** |
|---|---|---|
| Doğan Dış Ticaret | 55,881 | 35,294 |
| D Gayrimenkul Yatırımları ve Ticaret A.Ş. | 12,741 | 14,923 |
| Mesiar Medya Sigorta Aracılık Hizmetleri A.Ş. | 10,799 | 6,868 |
| Doğan Yayıncılık | 5,953 | 6,137 |
| Doğan Trend Otomotiv Tic. Hiz. Ve Tek. A.Ş. | 2,587 | - |
| Doğan Portal | 447 | 362 |
| Other | 1,321 | 4,276 |
| **Total** | **89,729** | **67,860** |

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

## NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

### Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programmes focus on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

*Foreign currency risk*

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. These risks are monitored and limited by analysing foreign currency position through obtaining positions within the approved limits.

The table below summarizes the Group's exposure to foreign exchange rate risk at 31 December 2021 and 2020 in terms of TRY equivalents of foreign currency denominated assets and liabilities.

| | 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | **US Dollar** | **Euro** | **GBP** | **CHF** | **Total** |
| **Assets:** | | | | | |
| Cash and cash equivalents | 3,749,790 | 76 | 3 | 5 | 3,749,874 |
| Financial investments | 1,158,052 | - | - | - | 1,158,052 |
| Trade receivables and due from related parties | 2,990 | 811 | - | - | 3,801 |
| Other current assets | 910 | - | - | - | 910 |
| **Total assets** | **4,911,742** | **887** | **3** | **5** | **4,912,637** |
| **Liabilities:** | | | | | |
| Trade payables and due to related parties | (649,680) | (4,926) | (173) | (51) | (654,831) |
| **Total liabilities** | **(649,680)** | **(4,926)** | **(173)** | **(51)** | **(654,831)** |
| **Net foreign currency** | **4,262,062** | **(4,039)** | **(170)** | **(46)** | **4,257,806** |

| | 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | **US Dollar** | **Euro** | **GBP** | **CHF** | **Total** |
| **Assets:** | | | | | |
| Cash and cash equivalents | 272,407 | 3,074 | 12 | 63 | 275,556 |
| Trade receivables and | 1,585 | 1,194 | - | - | 2,779 |
| due from related parties | 6,416 | 811 | - | 775 | 8,002 |
| **Total assets** | **280,408** | **5,079** | **12** | **838** | **286,337** |
| **Liabilities:** | | | | | |
| Trade payables and due to related parties | (246,664) | (1,387) | - | (1,034) | (249,085) |
| Lease liabilities | - | (7) | - | - | (7) |
| **Total liabilities** | **(246,664)** | **(1,394)** | - | **(1,034)** | **(249,092)** |
| **Net foreign currency** | **33,744** | **3,685** | **12** | **(196)** | **37,245** |

## NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

*Credit risk*

Credit risk consists of cash and cash equivalents, deposits held with banks and customers exposed to credit risk including uncollected receivables. Ownership of financial assets entails the risk that the other party will not be able to fulfill the contract. However, due to the nature of the operations used to generate revenue, the substantial portion of sales is through the customers' credit cards, so that the companies affiliated to the Group are not exposed to significant credit risk and there are no doubtful receivables at significant levels in the group companies.

*Funding risk*

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate funding lines from high quality lenders and supply financing arrangements.

*Foreign currency risk sensitivity*

The Group is exposed to foreign exchange risk arising primarily from the USD and EUR. The table below shows, the foreign currency sensitivity of the Company arising from 10% change in US dollar and Euro, GBP and CHF rates. The rate used as 10% is a fair benchmark for the Group as it is used in reporting of foreign currency risk and it is the anticipated rate change of the Company's senior management. Sensitivity analysis includes only the monetary items in foreign currency at year end and shows the effect of 10% increase in foreign currency rates. Positive value implies the increase in net profit before income tax.

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

**NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**

*Foreign currency risk sensitivity (Continued)*

| **31 December 2021** | **Income/(Loss)** | | **Equity** | |
|---|---|---|---|---|
| | **Foreign currency appreciates** | **Foreign currency depreciates** | **Foreign currency appreciate** | **Foreign currency depreciates** |
| **In case of 10% appreciation of US Dollar against TRY** | | | | |
| US Dollar net asset / (liability) | 426,206 | (426,206) | - | - |
| **US Dollar net -income/(loss)** | **426,206** | **(426,206)** | **-** | **-** |
| **In case of 10% appreciation of Euro against TRY** | | | | |
| Euro net asset / (liability) | 404 | (404) | - | - |
| **Euro net -income/(loss)** | **404** | **(404)** | **-** | **-** |
| **In case of 10% appreciation of GBP against TRY** | | | | |
| GBP net asset / (liability) | 17 | (17) | - | - |
| **GBP net -income/(loss)** | **17** | **(17)** | **-** | **-** |
| **In case of 10% appreciation of CHF against TRY** | | | | |
| CHF net asset / (liability) | 5 | (5) | - | - |
| **CHF net -income/(loss)** | **5** | **(5)** | **-** | **-** |

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

**NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**

*Foreign currency risk sensitivity (Continued)*

| **31 December 2020** | **Income/(Loss)** | | **Equity** | |
|---|---|---|---|---|
| | **Foreign currency appreciates** | **Foreign currency depreciates** | **Foreign currency appreciate** | **Foreign currency depreciates** |
| **In case of 10% appreciation of US Dollar against TRY** | | | | |
| US Dollar net asset / (liability) | 3,374 | (3,374) | - | - |
| **US Dollar net -income/(loss)** | **3,374** | **(3,374)** | **-** | **-** |
| **In case of 10% appreciation of Euro against TRY** | | | | |
| Euro net asset / (liability) | 369 | (369) | - | - |
| **Euro net -income/(loss)** | **369** | **(369)** | **-** | **-** |
| **In case of 10% appreciation of GBP against TRY** | | | | |
| GBP net asset / (liability) | 1 | (1) | - | - |
| **GBP net -income/(loss)** | **1** | **(1)** | **-** | **-** |
| **In case of 10% appreciation of CHF against TRY** | | | | |
| CHF net asset / (liability) | 20 | (20) | - | - |
| **CHF net -income/(loss)** | **20** | **(20)** | **-** | **-** |

*Liquidity risk*

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Conservative liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The funding risk of the current and prospective debt demands is managed by maintaining the availability of lenders with high quality and in sufficient number. The following table presents financial liabilities according to remaining maturities. The amounts shown in the table are the contractual undiscounted cash flows and the Group's liquidity management takes into account the expected undiscounted cash flows.

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

## NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

*Liquidity risk (Continued)*

| 31 December 2021 | Carrying value | Contractual undiscounted cash flow | Up to 3 months | 3 - 12 months | 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial instruments:** | | | | | | |
| Trade payables | 4,062,149 | 4,090,295 | 4,090,295 | - | - | - |
| Lease liabilities | 211,250 | 261,177 | 31,377 | 89,877 | 139,923 | |
| Bank borrowings | 193,184 | 199,832 | 198,372 | 1,460 | - | - |
| Due to related parties | 9,047 | 9,047 | 9,047 | - | - | - |
| | **4,475,630** | **4,560,351** | **4,329,091** | **91,337** | **139,923** | |

| 31 December 2020 | Carrying value | Contractual undiscounted cash flow | Up to 3 months | 3 - 12 months | 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial instruments:** | | | | | | |
| Trade payables | 2,024,549 | 2,035,688 | 2,035,688 | - | - | - |
| Lease liabilities | 144,056 | 181,997 | 13,526 | 48,360 | 120,111 | - |
| Bank borrowings | 347,436 | 368,070 | 368,070 | - | - | - |
| Due to related parties | 3,930 | 3,930 | 3,930 | - | - | - |
| | **2,519,971** | **2,589,685** | **2,421,214** | **48,360** | **120,111** | **-** |

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

## NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue its operations 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net debt to equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Net debt to equity ratios at 31 December 2021 and 2020 were as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Net debt/(cash) (Note 24) | (3,409,035) | (101,151) |
| Total equity/(deficit) | 2,676,176 | (787,332) |
| **Net debt to equity ratio** | **(127%)** | **13%** |

### Fair value of the financial instruments

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 realise in a current market exchange.

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

The fair values of certain financial assets and liabilities carried at amortised cost, including cash and cash equivalents, trade payables and payables to merchants, bank borrowings and lease liabilities are considered to approximate their respective carrying values due to their short-term nature.

The carrying value of trade receivables along with the related allowances for uncollectability is estimated to be their fair values.

*Fair value hierarchy*

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is as prices) or indirectly (that is derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is unobservable inputs).

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

## NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

### Fair value of the financial instruments (Continued)

Based on the fair value hierarchy, the Group's financial assets and liabilities are categorized as follows:

| | As of 31 December 2021 | | | |
|---|---|---|---|---|
| **Financial assets** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Investment funds at fair value (Note 4) | 1,024,437 | 1,024,437 | - | - |
| | **1,024,437** | **1,024,437** | **-** | **-** |

(2020: None).

## NOTE 27 - CASH FLOW INFORMATION

Movement in net debt for the year ended 31 December 2021 and 2020 is as follows;

| **2021** | **Lease liabilities** | **Bank borrowings** | **Total** |
|---|---|---|---|
| **1 January** | **144,056** | **347,436** | **491,492** |
| Increase in lease liabilities | 140,367 | - | 140,367 |
| Cash inflows | - | 1,750,046 | 1,750,046 |
| Cash outflows | (104,829) | (1,912,509) | (2,017,338) |
| Other non-cash movements (*) | 31,656 | 8,211 | 39,867 |
| **31 December** | **211,250** | **193,184** | **404,434** |
| Less: cash and cash equivalents | | | (3,813,469) |
| **Net debt/(cash)** | | | **(3,409,035)** |

| **2020** | **Lease liabilities** | **Bank borrowings** | **Total** |
|---|---|---|---|
| **1 January** | **84,289** | **18,977** | **103,266** |
| Increase in lease liabilities | 97,602 | - | 97,602 |
| Cash inflows | - | 1,619,217 | 1,619,217 |
| Cash outflows | (58,365) | (1,305,405) | (1,363,770) |
| Other non-cash movements (*) | 20,530 | 14,647 | 35,177 |
| **31 December** | **144,056** | **347,436** | **491,492** |
| Less: cash and cash equivalents | | | (592,643) |
| **Net debt/(cash)** | | | **(101,151)** |

(*) Other non-cash movements consist of interest accrual, disposals and remeasurement of contractual lease liabilities and bank borrowings.

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

## NOTE 28 – LOSS PER SHARE

Loss per share is disclosed below:

| | 2021 | 2020 |
|---|---|---|
| Loss for the period attributable to equity holders of the Parent Company | (700,078) | (474,516) |
| Weighted average number of shares with face value of TRY0.20 each | 304,764 | 284,328 |
| **Basic and diluted loss per share** | **(2.30)** | **(1.67)** |

As further disclosed in Note 15, the number of shares issued has increased from 56,866 thousand to 284,328 thousand via decreasing nominal value of each share from TRY 1 to TRY0.20 at the Extraordinary General Assembly meeting dated 25 May 2021. As a result, the loss per share calculation for the periods presented have been performed based on the recent number and nominal value of shares issued.

At the Extraordinary General Assembly meeting dated 5 July 2021, the number of shares issued has increased from 284,328 thousand to 325,998 thousand due to capital increase.

## NOTE 29 – AUDITOR FEES

The Group's statement on the fees for the services rendered by the independent audit firms, which is based on the KGK's letter dated 19 August 2021, the preparation principles of which are prepared pursuant to the KGK's Board Decision published in the Official Gazette repeated on 30 March 2021 as follows:

| | 2021 | 2020 |
|---|---|---|
| Fees for Independent audit the reporting period | 8,586 | 4,257 |
| Fees for other assurance services | 1,040 | 3,806 |
| | **9,626** | **8,063** |

## NOTE 30 - SUBSEQUENT EVENTS

In April 2021, TCA initiated an investigation against 32 companies (including companies operating in the e-commerce, retail, broadcasting and fast-food industries, but excluding the Group). On 18 August 2021, the Group received a notification from the TCA stating that the Competition Board, the executive body of the TCA, had decided to initiate an investigation on 5 August 2021 against 11 companies including Hepsiburada regarding anti-competitive agreements in the labor markets, and merged this investigation with the existing April 2021 investigation. The Group received TCA's report on the on April 18th, 2022. In the investigation report the rapporteurs are of the opinion that we are in violation of the Competition Law which prohibits anti-competitive agreements in the labor markets and administrative fine will be imposed. It is important to state that this report shows the opinion of the rapporteurs, and the Competition Board will make the final decision. The Group expects that the final decision will be rendered within the next 6 months. If the Competition Board considers this violation as a cartel in line with the report of the rapporteurs, according to the "Regulation on Fines to Apply in Cases of Agreements, Concerted Practices and Decisions Limiting Competition, and Abuse of Dominant Position" (Penal Regulation), a ratio between 2% and 4% of the D-Market's standalone annual net revenue as per statutory financial statements of the previous year (2021) shall be taken as a basis for penalty. Since the management and legal advisors concluded that the cash outflow is probable, the Group recognized a provision amounting to TRY 127,525 thousand in its consolidated financial statements by applying 2% to the D-Market's standalone annual net revenue as per statutory financial statements prepared in accordance with the tax legislations based on the management's and legal advisors' best estimate, and reduced by 25% for early payment discount on the amount calculated, if the administration fine will be paid within 30 days, an option which the management will exercise.

**NOTE 30 - SUBSEQUENT EVENTS (Continued)**

On 16 December 2021, D-Market, through Hepsi Finansal Danışmanlık, entered into a Share Sale and Purchase Agreement with the holders of 100% of the equity interest in Doruk Finansman A.Ş., a Turkish consumer finance company, to acquire 100% stake in Doruk Finansman for a total transaction value of TRY 20 million. Following the regulatory approval of Banking Regulation and Supervision Agency, the transaction was closed on February 28, 2022 and the Group paid the Sellers (Doğan Şirketler Grubu Holding A.Ş. ("DoHol"), the holder of 97% equity interest in Doruk Finansman, Doğan Dış Ticaret ve Mümessillik A.Ş. and Doğan family individuals (collectively, the "Sellers")) an aggregate of TRY 5 million in cash. Also at closing, the Group agreed to pay DoHol TRY 15 million (the "Conditional Amount") in cash upon Doruk Finansman's collection of certain receivables identified in its financial statements as of the closing day. The Conditional Amount will be paid to DoHol depending on the collection of receivables starting three months after the closing within a maximum of 10 year period.

The tension between Russia and Ukraine since January 2022 has turned into a crisis and an armed conflict as of the date of the report. The Group does not carry out any activities in these two countries that are subject to the crisis. Considering the geographies in which the Group operates, no direct impact is expected on Group operations. However, as of the date of this report, it is not possible to reasonably estimate the effects of the global developments and their potential impact on the global and regional economy, on the Group's operations because of the uncertainty about how the crisis will evolve.

Three-year cumulative increase in Consumer Price Index as of March 2022 has been 109.4% in Turkey according to inflation data published by Turkey Statistical Institute on 4 April, 2022. One of the characteristics of the hyperinflationary economy in accordance with TAS 29 Financial Reporting in Hyperinflationary Economies is that cumulative inflation rate over three years has approached, or exceeded, 100%. It is expected that as per TAS 29 the Turkish economy would be defined as hyperinflationary economy and TAS 29 would be implemented for reporting periods ending on or after 30 June 2022. Financial statements would be expressed in terms of the measuring unit current at the end of the reporting period with the application of TAS 29. Non-monetary items which are not already expressed in terms of the measuring unit current at the end of the reporting period and components of owners' equity in the statement of financial position, and all items in the statement of profit or loss and other comprehensive income would be restated by applying a general price index. In addition, gains or losses arising from net monetary position would be recognized in profit or loss and other comprehensive income. The Group is in the process of assessing the impact of the application of TAS 29 on financial position or performance of the Group.