Delivering together

DP Eurasia N.V.

Annual Report and Accounts 2022

About us

DP Eurasia N.V. is the exclusive master franchisee of the Domino’s Pizza brand in Turkey, Russia, Azerbaijan and Georgia.

Domino’s Pizza is one of the most successful fast-food brands worldwide and a global leader in home delivery.

Our values

Strategy in action

Find out more on pages 15 to 26

Culture in action

Find out more on pages 40 and 41

Sustainability in action

Find out more on pages 42 to 44

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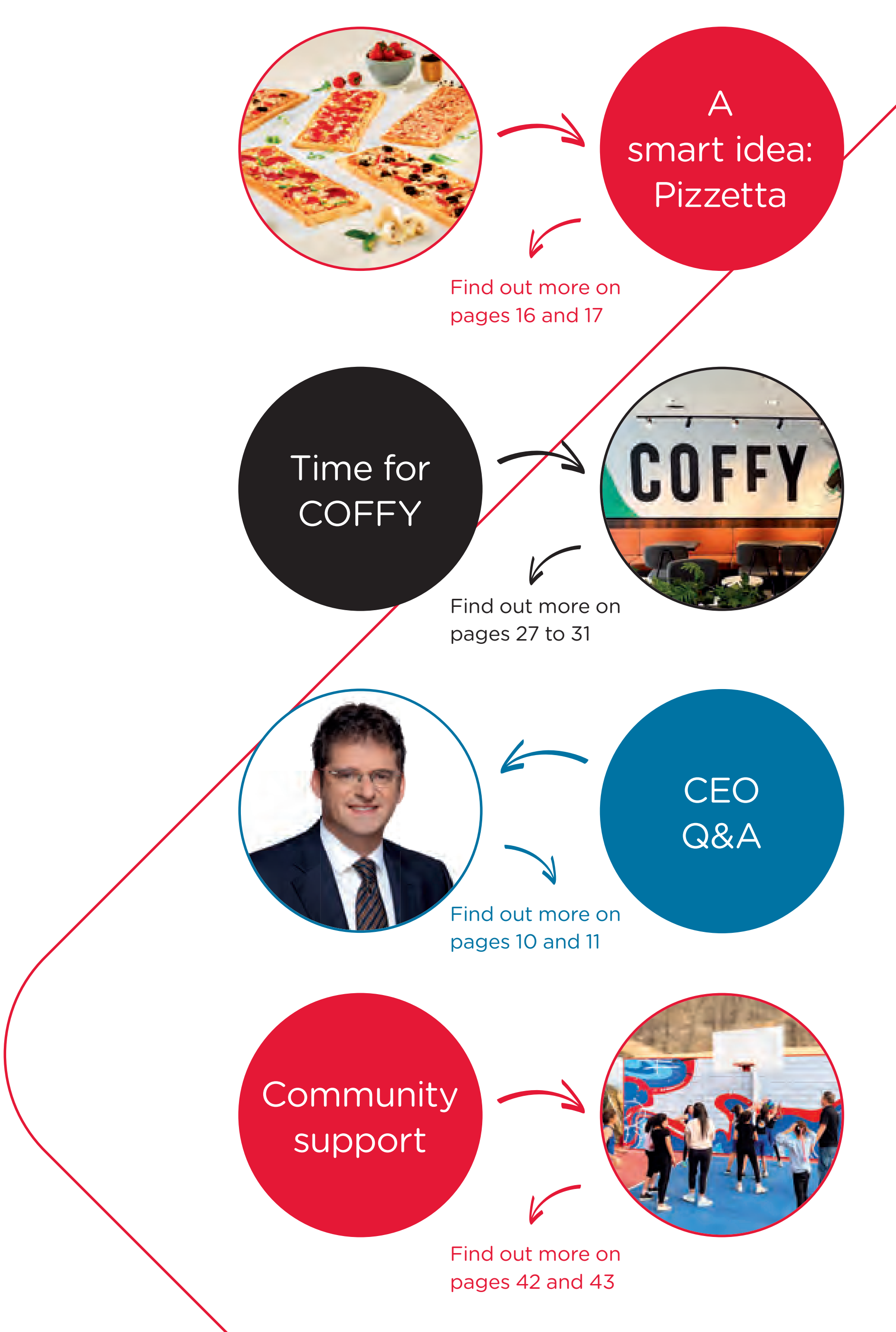
COMPLIANCE STATEMENT

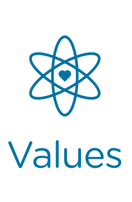
This document is the PDF/printed version of the 2022 Annual Report of DP Eurasia and has been prepared for ease of use. The 2022 Annual Report was made publicly available, and was filed with the NSM in European single electronic reporting format (the ESEF package). The ESEF package is available on the company's website at www.dpeurasia.com and includes a human readable XHMTL version of the 2022 Annual Report. In any case of discrepancies between this PDF version and the ESEF package, the latter prevails.



At a glance

Domino's Pizza is one of the most successful fast-food brands and an international leader in home delivery, with global retail sales of over $17.5 billion in 2022 and more than 19,800 stores in over 90 markets.

DP Eurasia is the fifth-largest franchisee of the Domino's Pizza brand owned by Domino's Pizza, Inc.



Underpinning the Group's ethical principles and business conduct are its core values of ambition, integrity, cohesion and team spirit.

The Group's vision is to be an international leader by utilising the best market practices to provide excellent services to both customers and the community.

The Group's mission is to create value for shareholders, whilst respecting the community in a socially responsible way.

The Group is committed to improving its brand to overcome new challenges whilst demonstrating an eagerness to adapt and grow.

The Group is dedicated to choosing the path that helps strengthen its principles of honesty, truth, loyalty and justice in the daily conduct of all workers.

The Group aims to achieve the ambitious goals it sets through the contribution of all business units. Building on experience, the Group comes together to overcome new challenges.

The Group operates globally in culturally diverse contexts and encourages a respect for differences, a sense of belonging, loyalty and reciprocity amongst all workers.

At a glance continued

The Group operates through both corporate and franchised stores. As of 31 December 2022, 14% of the Group were corporate stores, principally located in densely populated cities, while 86% were franchised stores.

The corporate stores serve as a platform to develop best practices that the Group subsequently deploys in its franchised stores.

Where we operate

- All Group figures exclude Russian business, which is now a discontinued operation.
- All Group figures are restated according to hyper inflation accounting.
- All Group and Turkey figures include COFFY. Like-for-like and online delivery figures exclude COFFY.

TRY 3.6 billion
system sales
(2021: TRY 3.5 bn)

700
stores across three countries
(2021: 629)

86%
franchised store mix
(2021: 83%)

81%
of delivery online
(2021: 76%)

Highlights

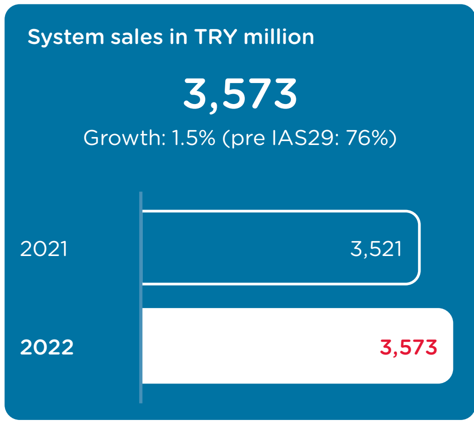
Operational highlights (from continuing operations)

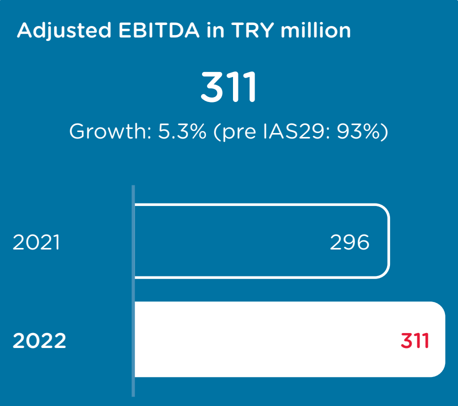
- Online delivery system sales increased to 81.2% (2021: 76.3%) as a share of delivery system sales[1], reflecting our robust positioning of the online ordering channel. Turkish online system sales[2] growth was 1.6% (pre-IAS 29: 75.7%).
- Turkish net new store openings of 48 for Domino's Pizza, higher than guidance range of 30-40 for 2022, reflects strong demand and maintained network expansion momentum, building on the record year experienced in 2021.
- The Group opened two new stores in Georgia, bringing the total number of stores to six in the country.
- The COFFY network increased by 21 stores to reach 29, with solid ongoing franchisee demand. COFFY continues to represent an excellent growth opportunity for the Group.
- The Board is deeply saddened by the earthquake that devastated prominent cities in Turkey in February, and regrets to disclose that four colleagues lost their lives. Twelve out of the total 655 Domino's Pizza stores in Turkey are not operational, and the Group is working on several options, including moving those stores to other cities. A specific project currently being developed is opening prefabricated stores in the affected regions. The impact of the earthquake on our operations is not expected to be material to 2023.

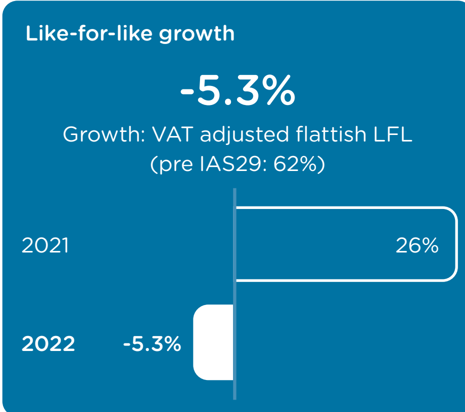
Financial highlights (from continuing operations)

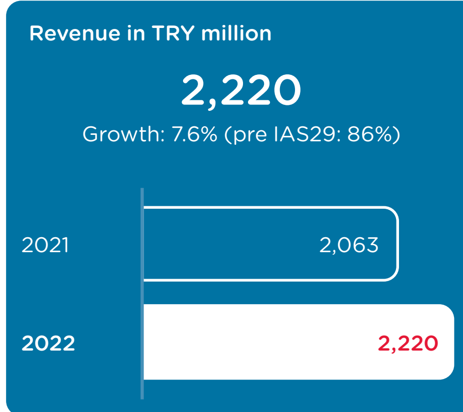
- Group revenue increased 7.6% (pre-IAS 29: 86%) and system sales[3] were up 1.5% (pre-IAS 29: 76%), reflecting healthy growth against very strong comparatives.
- Removing the beneficial impact of the 2021 VAT reduction, the Group's LfL performance was flat as the pace of inflation was met. The VAT reduction, of 7pp to 1%, lasted until the end of September 2021. Overall, the Group's LfL performance[4] was -5.3%.
- Adjusted EBITDA[5] increased 5.3% to TRY 311 million and was achieved in a difficult cost environment as Turkish operations faced an average 72% headline inflation during the year.
- Adjusted net income[6] (from continuing operations) increased 50% to TRY 214 million (2021: TRY 143 million).
- The Group maintained a strong liquidity position as of 31 December 2022, with TRY 360 million cash (excluding cash of Russia) and an undrawn bank facility of TRY 225 million as of 31 December 2022.
- Adjusted net debt[7] was TRY 562 million as of 31 December 2022.

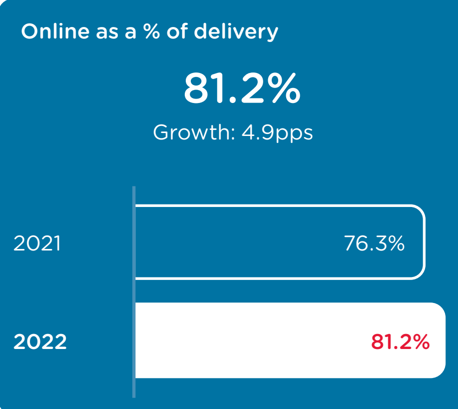
Key financial figures (after IAS 29)

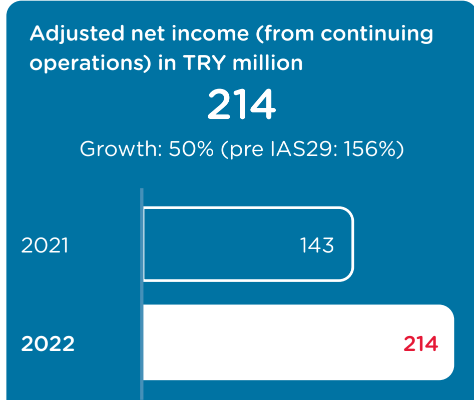












Notes:

- All Group figures exclude Russian business, which is now a discontinued operation. COFFY numbers are included in all Turkey and Group figures, unless presented separately. Like-for-like figures exclude COFFY.

(1) Delivery system sales are system sales of the Group generated through the Group's delivery distribution channel.

(2) Online system sales are system sales of the Group generated through its online ordering channel.

(3) System sales are sales generated by the Group's corporate and franchised stores to external customers and do not represent revenue of the Group. These numbers are not audited.

(4) Like-for-like growth is a comparison of sales between two periods that compares system sales of existing system stores. The Group's system stores that are included in like-for-like system sales comparisons are those that have operated for at least 52 weeks preceding the beginning of the first month of the period used in the like-for-like comparisons for a certain reporting period, assuming the relevant system store has not subsequently closed or been "split" (which involves the Group opening an additional store within the same map of an existing store or in an overlapping area). This is a non-IFRS measure and non-IFRS measures are not audited.

(5) EBITDA, adjusted EBITDA and non-recurring and non-trade income/expenses are not defined by IFRS and non-IFRS measures are not audited. These items are determined by the principles defined by the Group management and comprise income/expenses which are assumed by the Group management to not be part of the normal course of business and are non-trading items. These items which are not defined by IFRS are disclosed by the Group management separately for a better understanding and measurement of the sustainable performance of the Group. Reconciliation of EBITDA, adjusted EBITDA with consolidated financial statements will be presented in Note 3 of Group financial statements section of our annual report.

(6) Adjusted net income is not defined by IFRS and non-IFRS measures are not audited. Adjusted net income excludes income and expenses which are not part of the normal course of business and are non-recurring items. Management uses this measurement basis to focus on core trading activities of the business segments and to assist it in evaluating underlying business performance. Reconciliation of EBITDA, adjusted EBITDA with consolidated financial statements will be presented in Note 3 of Group financial statements section of our annual report.

(7) Net debt and adjusted net debt are not defined by IFRS and non-IFRS measures are not audited. Adjusted net debt includes cash deposits used as a loan guarantee and cash paid, but not collected during the non-working day at the year end. Management uses these numbers to focus on net debt including deposits not otherwise considered cash and cash equivalents under IFRS.

2022 Highlights

Turkey's Lovemarks

While 2022 was a challenging year, our customers rewarded us with the Lovemark. We felt proud of being the most loved pizza store in Turkey, and winning showed us how well-suited our action plan was in gaining and maintaining customers. We know that this award reflects both the steps we have taken this year and the love and support that we receive from our customers.

COFFY

COFFY

We have created a new model in coffee culture in Turkey by offering all types of coffee at a single price. In addition to coffee, we have brought our innovative brand approach to new products which have been greatly appreciated by our customers. In 2022, COFFY made many improvements to enhance the customer experience in both the app and the store. As at the end of 2022, we have 29 COFFY branches in five cities of Turkey helping us achieve healthy growth by applying the castle strategy that has supported Domino's growth.

Sustainability

Our efforts and interest in sustainability continues to grow with new and existing projects. The Group's aim is to strengthen and incorporate our sustainability strategy throughout all operations. This year, community support was very important to us and we developed projects with the Education Volunteers Foundation of Turkey ("TEGV"), Turkey's most widespread non-governmental organisation operating in the field of education. We are also focused on decreasing our environmental impact, and will take continued action to mitigate and adapt to the possible impacts of climate change through our operations.

Innovation

Innovation lies at the heart of our business. At Domino's, we expand our menu every year with brand-new products based on our expertise in pizza. This year, due to changing economic conditions and rising food costs, we developed more affordable offerings for our customers. On the digital side, we strengthened the food-tech company perspective with new innovations in our online channels. The success of this can be seen in our improved new user acquisition and retention rates

Chairman's statement

The Board is committed to focus on the development of the business by continuing to invest in people, technology and products.

Peter Williams
Chairman

This year, we reflect on a year in which the Turkish economy faced major inflation challenges and serious challenges to our Russian operations. Despite these difficulties, our colleagues have delivered another year of strong performance. The Board remains committed to the development of the business and continues to invest in our people, technology and products.

Financial results

Group system sales increased by 13.1% (pre-IAS 29: 76.5%), reflecting our ongoing focus on network expansion, strategic pricing, and product innovation, as well as excellent growth in and demand from our COFFY proposition. In Turkey, we opened 48 new stores (net), reflecting strong demand, and maintained network expansion, building on the record year in 2021.

Our focus

Innovation, in respect to both our products and technology, continues to be the main driver of our strong performance. In 2022, the Group remained dedicated to maintaining Domino's unique cultural elements in food and integrating them with new technology-driven business needs. With the investment in innovations made in our digital channel, and the inclusion of new channels in the aggregator in our system, we achieved 79.6% growth in digital channels and increased the digital share of online channels in total sales to 69%.

Corporate governance

We continue to strive for transparency for shareholders and other stakeholders, with a view to maintaining and enhancing our corporate culture and governance framework.
The corporate governance report set out on pages 78 to 125 provides details on how we are continuing to foster an environment of entrepreneurial leadership and innovation through a framework of responsible governance and risk management.

Minority shareholder protection

Following Jubilant's reverse bookbuild process in October 2021, and the shareholder feedback during that process, it had become clear that the UK Takeover Code and the Dutch takeover rules were no longer applicable to the Company as a consequence of Brexit. This was a situation that needed to be addressed as soon as possible. The Board has unanimously proposed additional takeover protection for minority shareholders. At the extraordinary general meeting on 13th April 2022, a large majority of the registered shareholders voted in favour of the proposed resolution to ensure share protection is embedded in the Articles.

People

These results are a tribute to the ongoing dedication and commitment of Aslan and his teams during the past year; especially managing the business so well through uncertainty due to inflation challenges. I would like to thank Aslan and all of our employees and franchisees for their valuable contribution and determination to succeed.

Situation in Russia

As announced earlier, the Board continues to evaluate its presence in Russia and is considering various options, which may include a divestment of Russian operations. Whilst work on a potential transaction is ongoing, there can be no certainty as to the outcome.

Outlook

The Board has been closely monitoring the Group's strategy as well as the financial and operational performance throughout the year.

We believe that with a sound management team and with committed franchisees, the Group is in a solid position to continue its growth strategy. We thank you for your ongoing trust and commitment to the Group.

Chairman's statement continued

Changes in the Board

In recognition of the importance of good governance as a Board, we committed in our last Annual Report that we would recruit additional independent Non-Executive Directors to ensure that the composition of the Board and its committees would be fully compliant with the UK Code. In 2022, we welcomed Mr Burak Ertas as Independent Non-Executive Director. He was appointed at the Annual General Meeting ("AGM") in June.

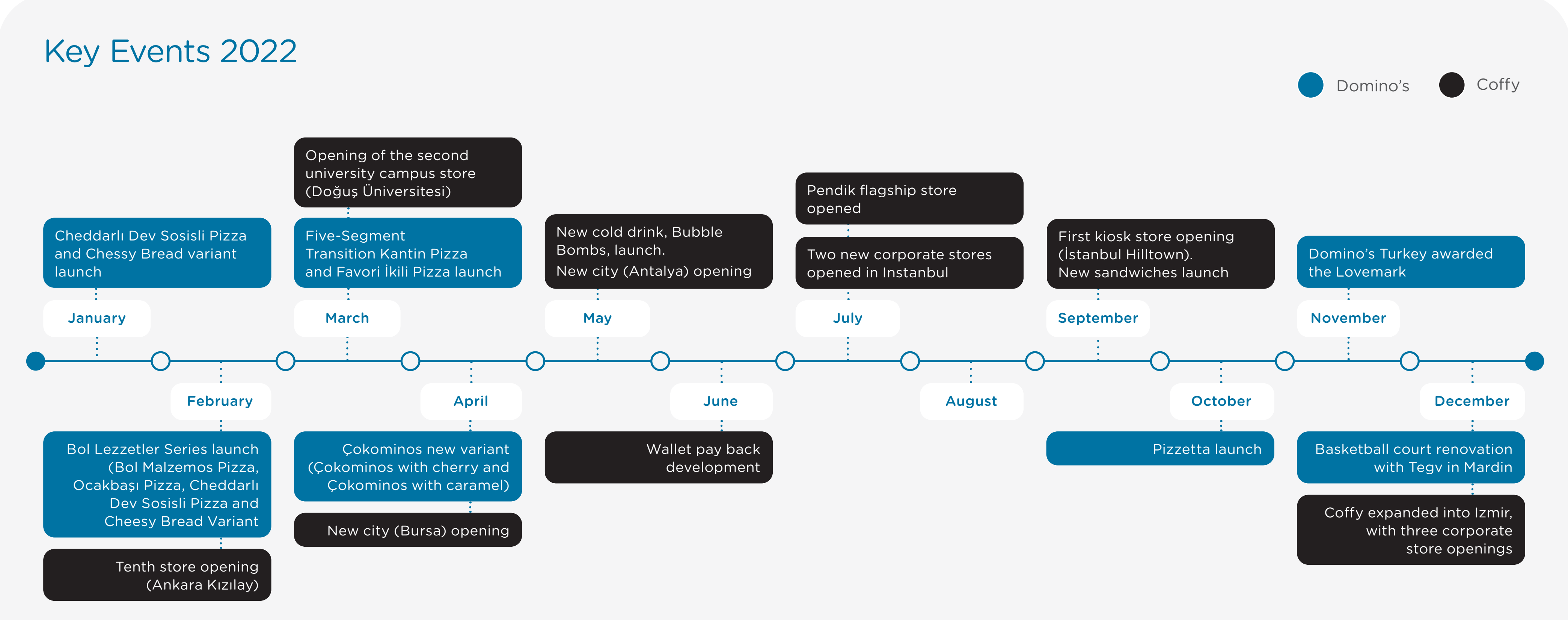
After six years as Chairman of the Board, I have taken the decision to retire at the 2023 AGM. I will be succeeded by Mr Ahmet Ashaboğlu, who was appointed as an Independent Non-Executive Director at an EGM in September 2022. Ahmet Ashaboğlu has already made a significant contribution to the board discussions and I wish him well in his new role.

On a wider note, I would like to thank the Board and the senior team for their support and work over the period I have had the privilege to be Chairman. I wish them, and the Company, every success for the future.

Peter Williams
Chairman

19 April 2023

Key Events 2022



Message from the CEO

On behalf of the Board, I am pleased to report solid results for 2022 as we worked hard to combat the high levels of financial volatility in the regions in which we operate.

Aslan Saranga
CEO

I would like to extend our condolences to all grieving families who lost loved ones during the devastating earthquake that impacted prominent cities in our country. We continue to stand in solidarity with our employees, business partners and community in this difficult time.

Having worked extremely hard to combat the high levels of financial volatility in the regions where we operate, I am pleased to report solid results for the year. Strong trading momentum was maintained, thanks to the healthy dynamics of the sub-sectors the Group operates within and the team's careful navigation of the obvious challenges, inflation being one.

Our growth is continuing and 2023 has started well, with solid LfL growth rates resulting from our capabilities, experienced team, and culture. We have an innovative and customer-centric mindset, helping us to grow in a healthy manner as we pursue long term and sustainable profit.

In 2022, our LfL performance caught up with the rapid pace of inflation, as we successfully implemented our targeted action plan to overcome macro factors largely outside of our control. Whilst work on a potential transaction is ongoing, there can be no certainty as to the outcome Our clear and targeted strategy focuses on three areas – strategic pricing and product innovation, continued digital innovation, and operational excellence for everyday efficiency. This approach has enabled us to combat the high volatility levels, which has been demonstrated through our volume generation and customer acquisition. Despite unprecedented cost pressures, adjusted EBITDA grew 5.3% and adjusted net income increased by 50%.

Our focus on product innovation is integral, allowing us to present a broad choice to customers who increasingly seek value and affordability amidst the inflationary environment. Pizzetta, which costs USD $1, has become very successful since its launch in Q4. We also introduced a 'snacks from the oven' range, completing our suite of value options and highlighting our drive for sustained innovation.

In 2022, we continued to improve the online proportion of our sales, and digital innovation remains an important enabler for us to enhance the customer experience and solidify our robust positioning for the online ordering channel.

We retain a fundamental commitment to ensuring franchisees remain profitable. As a result, franchisee demand was very strong in 2022 and our Domino's Pizza network in Turkey grew by 48 stores. We maintain a healthy pipeline with sustained franchisee interest and are confident that 2023 will be another excellent year for network expansion.

COFFY, our own brand, strengthened its presence in the Turkish market with an accelerated expansion programme. Having developed multiple store concepts to fit in with local circumstances, the COFFY network reached 29 stores in five cities at year-end. Franchisee demand stands very strong owing to COFFY's proven sales performance. This demand, alongside our ambitious targets for 2023, will enable us to add further scale in a sub-sector that is of increasing popularity.

2022 was a year that proved our resilience and agile executing capabilities. I am very pleased to be delivering strong store growth and maintaining healthy profitability levels at the same time. Our regional markets are blessed with unique growth opportunities and, while volatility is set to continue, the Board expects another set of strong results in 2023.

Aslan Saranga
Chief Executive Officer

19 April 2023

Q&A with our CEO

How important is growth potential to the business?

Growth is an essential part of our strategy. "Nobody delivers like Dominos" has been our unfailing motto over the years. And we always kept our promise thanks to our "castle strategy", which enabled us to establish greater area coverage throughout the country. We will further capitalise on our strong market positions when demand supports profitable growth. The Group evaluates store openings on competition, number of households and GDP per capita.

Aslan Saranga
Chief Executive Officer

How are you addressing hyperinflation in Turkey?

This has been a clear challenge for our business, but thanks to our solid action plan and strong positioning in the Turkish market, we have maintained our business momentum and acquired new customers in these difficult times. Product and digital innovation, together with diligent pricing and campaign strategies, have been the backbone of our targeted action plan. Meanwhile, our Group's robust purchasing power and smart supplier agreements through the year enabled us to be flexible in a high-cost environment.

How significant is digital to your growth?

We always emphasise our ambition to be a regional "food-tech company" that brings digital excellence to the pizza delivery business. Therefore, digital innovation lies at the core of our operations. Our Group's online capabilities and platform offer many tangible benefits, including ease of ordering, higher frequency, lower in-store labour costs and increased consumer loyalty and brand awareness. The majority of our investments focus on further advancing our digital offering to improve our customers' delivery and takeaway ordering experience.

Q&A with our CEO continued

What drove the changes to the Board this year?

In recognition of the importance of good governance, we committed in our last Annual Report that we would recruit additional independent Non-Executive Directors in order to improve compliance regarding the composition of the Board and its committees with the UK Code. In 2022, we welcomed both Mr Burak Ertas and Mr Ahmet Ashaboğlu as Independent Non-Executive Directors.

What do you see as the biggest challenges to delivering DPE's strategy in 2023?

We managed to weather challenges and deliver strong growth in both profitability and the store network. I believe this is strong proof of our outstanding ability to execute on our strategy. We are operating in a region with unique growth opportunities, as well as volatile macroeconomic and geopolitical conditions. While keeping this in our minds, and managing our business very carefully, we believe that we will deliver strong growth and financial performance in 2023.

What's the situation regarding Russia?

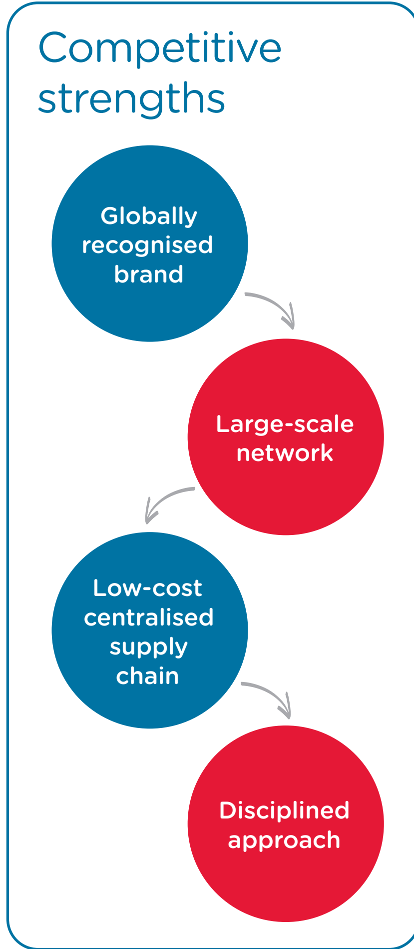
During the year, we monitored the situation in the region closely, with the safety and welfare of all the Group's employees and customers remaining our top priority. In the meantime, the Group limited investment in Russia and focused on optimising the existing store coverage; resulting in the closure of 29 stores in 2022. As we have announced publicly, our Group is now considering various options which may include a divestment of its Russian operations. Whilst work on a potential transaction is ongoing, there can be no certainty as to the outcome.

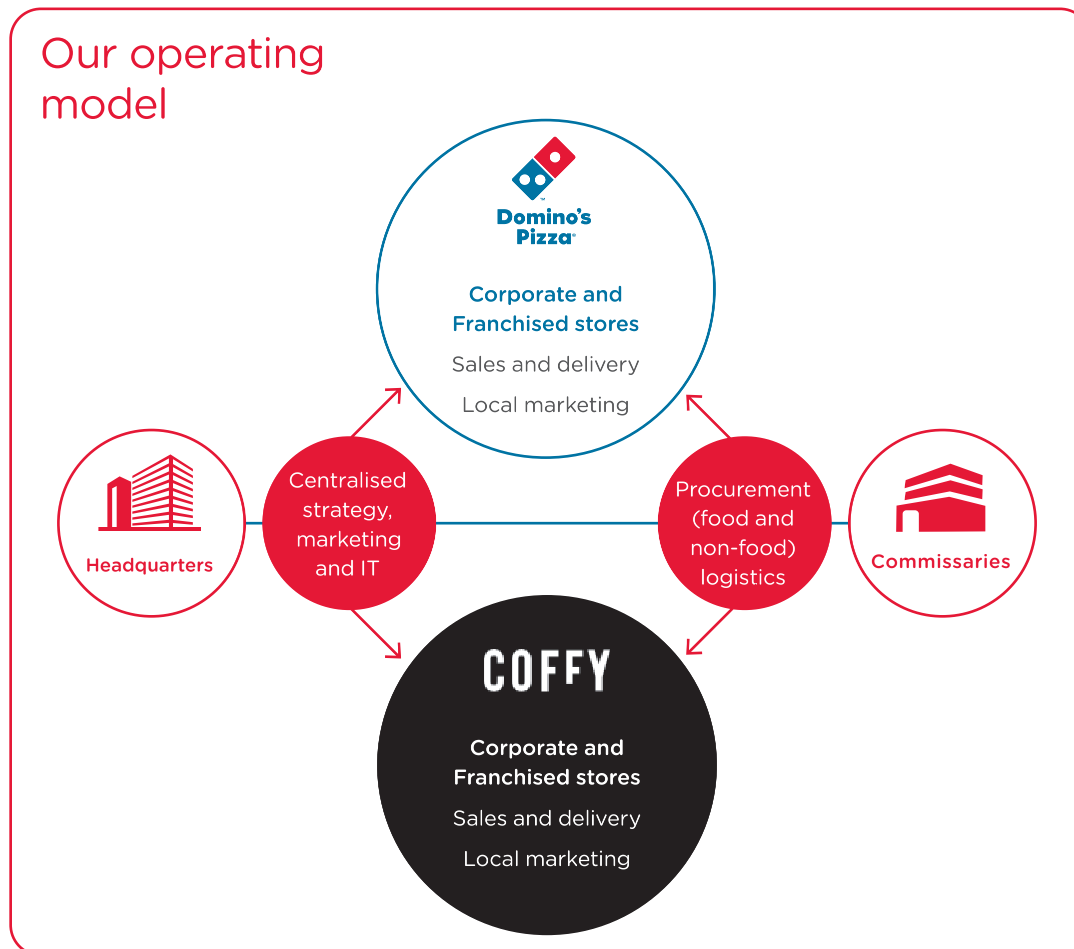
Competitive advantages

- Founder-led, experienced management team
- Leading market positions
- Strong online capabilities underpin DP Eurasia's growth
- Simple and scalable, asset-light business model
- Track record of resilient and profitable growth as well as strong cash conversion
- Highly attractive, under-penetrated markets with substantial growth potential in the Group's addressable segments
- Globally proven business model successfully applied and adapted to DP Eurasia's local markets
- Highly attractive customer proposition and strong brand equity

Business model

Our asset-light and scalable business model allows for continuous investment in our people, our products and our digital platforms, delivering sustainable value to all our stakeholders.

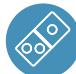




Our purpose and strategy

Our purpose

DP Eurasia's objective is to be a tech company delivering pizza. Our purpose is to create value by bringing people together through our collaborative workplaces, intuitive digital platforms and a popular range of products, enabling us to reinvest in our priorities: people, product and digital.

Strategic pillars	Ambition	2022 performance
Focus on innovation and online ordering to drive like-for-like growth	As the online channel becomes more prominent in the Group's sales mix and continues to drive like-for-like growth, the Group's ordering channel strategy is focused on the development of proprietary online ordering platforms for delivery and takeaway.	The Group's online delivery system sales as a percentage of delivery system sales has reached 81.2%.
Store network growth	The Group plans to capitalise on its strong market positions in its existing markets, where it believes there is significant capacity for further Domino's Pizza stores. It intends to open new corporate and franchised stores, including "splits" of existing stores where demand supports further profitable growth. The Group evaluates its store locations from the perspective of potential sales, level of competition, number of households and GDP per capita.	Franchisee demand was very strong in 2022 and Domino's Pizza network in Turkey grew by net 48 stores. 2022 was also the year that the Group's own brand, COFFY, strengthened its presence in the Turkish market. COFFY's network reached 29 stores in five cities at the year end.
Leveraging scale advantage to further improve profitability	The Group believes that the operating leverage in its business in Turkey can create further value as the store and online footprint continues to increase. The nationwide scale of the Group's operations reinforces brand awareness, making Domino's Pizza a household name in Turkish fast food, thereby further driving sales and the system stores' contribution to the Group's national advertising initiatives.	2022 was underpinned by high food inflation and supply bottlenecks. The Group navigated these challenges thanks to its leading position in the market. In a difficult year, the Group managed to increase its EBITDA by 5.3% inflation adjusted growth.
 **Potential for further international and brand expansion**	While the Group's current focus is on the development of the business in its current markets, the Group may consider acquiring other master franchise licences and expanding to territories currently unpenetrated by the Domino's System, as well as expanding with new brands in its existing markets.	The Group's own innovative brand, COFFY, strengthened its position in the Turkish coffee market with increased customer awareness and store network. The Group actively evaluates the opportunities that could create similar synergies with the existing business lines.

Strategy in action

Innovation

Growth

Brand

Product innovation is our key strength

The Group believes that its disciplined approach to product innovation is a key differentiator from its competitors and is based on:

- an understanding of customer preferences based on data from the Group's customer relationship management ("CRM") database, direct customer questionnaires in stores and market research;
- strict food cost and ingredient planning in creating new recipes;
- field tests before in-store pilot testing with consumers who visit the store; and
- in-store pilot testing four to eight weeks before rollout across the system stores.

Strategy in action continued

Innovation

Which product innovations have made an impact this year?

Pizzetta

Due to changing economic conditions and rising food costs, we have developed the Pizzetta product to offer an affordable product to the customer. Although Pizzetta is defined as a by-product, it is actually a type of pizza.

We've made two standout moves in this product:

1. by calculating the area, we concluded that less product was used in a rectangular shape than a circle; and
2. instead of the high-cost pizza box, we broke the mould and presented the pizza to the customer in paper bags.

Thanks to these two moves, we were able to offer the customer a product with a starting price of TRY 19.99. In particular, offering the pizza in paper bags allowed the customer to "eat pizza whilst walking". We offered customers the opportunity to dine in and eat the Pizzetta on the premises if preferred. By implementing a 360° launch plan, we also attracted new customers to Domino's.

With the success of the launch, we sold 450 pizzas per week per store. By creating a new category, we increased our order level from 820 average weekly orders ("AWO") to 980 AWO.

Pizzetta launch – brand

As Domino's, we expand our menu every year with brand new products based on our expertise in pizza. This year, with Domino's continuous innovation approach, we have launched the four-edge pizza, Pizzetta, which an alternative, affordable pizza during a period of hyper inflation. To launch Pizzetta, we planned a large-scale launch campaign using both mainstream and digital channels. During the launch period, we have adopted the motto of "Low in price, great in taste".

Our aim was to get a share of the growing take away market, with an offering at the most affordable price. We emphasised the differentiating shape of the four-edge Pizzetta in our commercials and other materials.

We have included three different target groups with mother-child, youths, and tradesmen; three different occasions and three different ways of eating with three different commercials. In the commercials, the young eat the Pizzetta without slicing it in the park, the tradesmen sliced it at lunch, and the mothers and children divided the Pizzetta into two after school.

We collaborated with creators on TikTok to launch Pizzetta as the platform is growing daily and has a great overlap with our target audience. We decided to partner with TikTok creators who are mothers and young people to reach our target audience. We got content from each creator for different occasions as they promoted Pizzetta. With a total of eleven different influencers, we have gained access to 9 million unique people from different target groups with the content shown 105 million times. Each unique user watched the relevant content 2.5 times on average. We had 214 thousand visitors to our website through these campaigns. In addition, 536 comments, over 81 thousand likes, and more than 10 thousand followers were acquired. In total, more than 437 thousand interactions were achieved with the relevant target audience.

Strategy in action continued

Innovation

Following the positive response we received via digital channels during the launch of Pizzetta, we planned another digital project with our brand ambassador, actor Enis Arıkan. We did an "Instagram Takeover" where Enis Arıkan shares moments on the official Domino's Turkey account of him surprising people by going to various Domino's branches and ordering Pizzetta. In Masterchef, the most watched cooking competition TV show in Turkey, we carried out two separate advertorials focusing on the taste and attractive price of Pizzetta to large audiences.

We received 796 million impressions and 3.5 million clicks in total at the launch. We reached 23.4 million new people in total, providing 112 million impressions and 50 thousand web visitors. We achieved 14 billion post likes, 421 comments, 154 post registrations, and 1,919 posts shared. On YouTube, we achieved 30 million viewers, 317 million impressions and 360 thousand in traffic. As a result of all these launch efforts, we sold 4.2 million Pizzettas in four months from the launch period.

Strategy in action continued

Innovation

Digital:

How have we enhanced customer experience?

As Domino's, we strengthened the food-tech company perspective with new innovations in our online channels.

With the investments we made in our digital channels, and the inclusion of new channels in the aggregator in our system, we achieved 79.6% growth in digital channels and increased the digital share of online channels in total sales to 69%.

We have included Trendyol Yemek, a new player on the aggregator side, in our sales channels this year. In addition to the special campaigns we made with all aggregators, we have maximised our new customer acquisition through the media support they generate. In addition, we provided average order value management and coupon maximisation with the menu strategy we applied for all aggregators.

We continued innovations to increase new user acquisition and retention rates in online ordering ("OLO").

We implemented the use of Storyly on the mobile app and website, which users are familiar with from other social media platforms, producing a 5% increase in conversion rate, as well as doubling spend through the Domino's wallet.

Our most crucial implementation in terms of personalisation is the development of the "Suggested Menu" where we highlight comparisons to the previous orders of the users. In addition, we have completed the upsell development in the basket step, where we recommend products based on past purchases and current baskets. With these steps, we realised an uplift of +2.81 points in the conversion rate, or a 10% increased basket size.

At the same time, we increased items per order and users' interaction on our online channels by showing discounted products to users with our third-party gamification schemes such as Wheels and Scratchcards.

To improve our registered customer data and increase our app users, we have built a feature where we can offer special discounts to the first and second orders of users who download the app and are members of the loyalty program.

Through this, we have raised the number of new app users by 9%. Moreover, we have grown our active users by 14%, especially with the campaign setups we ran specifically for the mobile app.

In June, we added a payback feature to the Domino's wallet development that we integrated in 2021, where customers can load money, spend on online channels, and earn money as they load. Through this, we started to return a certain amount of money to the wallet when customers spent from Domino's wallet. Additionally, we have developed an additional module that can quickly load money at the checkout step when the wallet balance is low. Due to this, the use of Domino's wallet has doubled.

Strategy in action continued

Innovation

Product:

The Group’s store menu offers globally recognised pizza products, which are tailored to local tastes. It also offers products outside of pizzas to suit customer preferences such as oven-baked sandwiches, wraps and a wide chicken offer. There are also complementary products such as desserts and other side dishes – some of which have been developed by the Group’s innovation centre in Istanbul and subsequently adopted by other master franchisees of Domino’s Pizza around the world.

Strategy in action continued
Innovation

New product innovations of the Group in 2022

Cheddar Dev Sosisli Pizza

After the Ocakbaşı launch in 2021, we launched the Cheddar Giant Hot Dog Pizza, where we targeted the Generation Z demographic and brought them together with the trending cheddar-sausage duo. In this way, our pizza range has reached 27 items. Cheddar Dev Sosli Pizza sold 20 units weekly per branch and generated TRY 750 average weekly unit sales ("AWUS"). It received a 1.5% share from Pizza mix.

Cheese Bread variant

In order to increase the share of the much-loved Cheesy Bread product, which is among the iconic products of Domino's Turkey, two new Cheesy Bread varieties have been added to the system: Mediterranean Cheesy Bread and Cheesy Bread with Sausage. Because of this initiative, sales in the Bread category increased from 55 to 70 pieces per week per store.

Bol Malzemeli Seri launch – brand

At Domino's, we have had another year where we continued to create systems and campaigns that respond to the requests of our customers. We were inspired by one of our most loved products, Bol Malzemos, and set off to produce a new product. In this context, we created a new sub-category for pizza with the concept being for the customer who enjoys plenty of ingredients in their orders. In this sub-category, we have included a wide variety of breads with cheese, a large meat Ocakbaşı Pizza, a giant sausage pizza, amongst other products to suit different preferences. To communicate the launch of abundant tastes, we created our table theme, which emphasised our diversity in local store marketing ("LSM") materials, and during the launch we drew attention to the taste of more than one of our products with imagery. With the emphasis on "very affordable and plentiful tastes" in our visuals, which was broadcast on television screens from 4 February 2022, we made a significant contribution to our goal of strengthening our price, service, product and image-oriented communications that we set at the beginning of the year.

This was the year where we listened to our customers and said "Taste is at its peak again" with Domino's.

Kantin Pizza and Favorili İkili Pizza

With the new five-segment transition, we created an intermediate price point due to increasing food costs, and added two new pizzas in order not to lose a share in the entry price due to the segment transition. Thus, we have maintained our pizza variety in the entry segment. In addition, these pizzas made up 4% of our total range of pizzas.

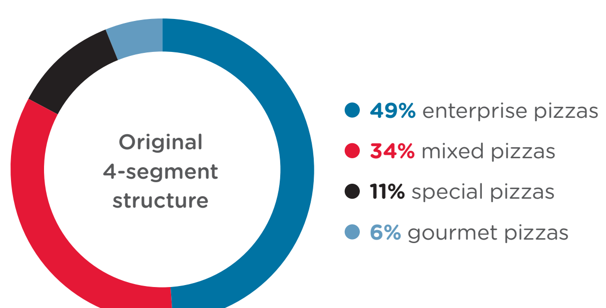
Çokominos – new variants

In order to expand the dessert category, we decided to increase the popular Çokominos varieties. Taking advantage of the cherry and caramel ingredients that were trending at that time. We released new cherry and caramel sprinkles and the Cherry Cokominos and Caramel Cokominos. Although there was no launch investment, the number of Cokominos products increased from seven to nine per week per store. In addition, we have expanded the product range that we will use in the hourly digital offering.

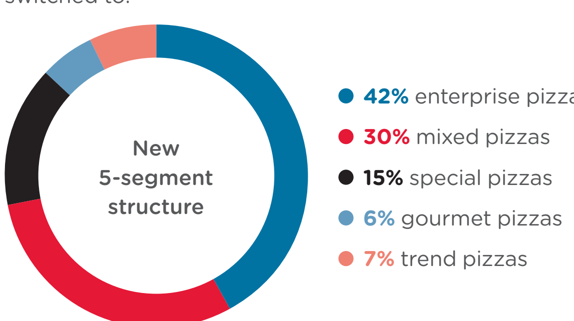
Five-segment transition

In response to rising raw material prices, we switched to a five-segment to manage food cost profitability. Our new segment name is "Trend" and we moved most pizzas to an upper segment group and received +1 TRY uplift per pizza and received inc TRY 1,000 average weekly unit sales. We also achieved 2% food cost[1] saving.

The original four-segment structure consisted of:

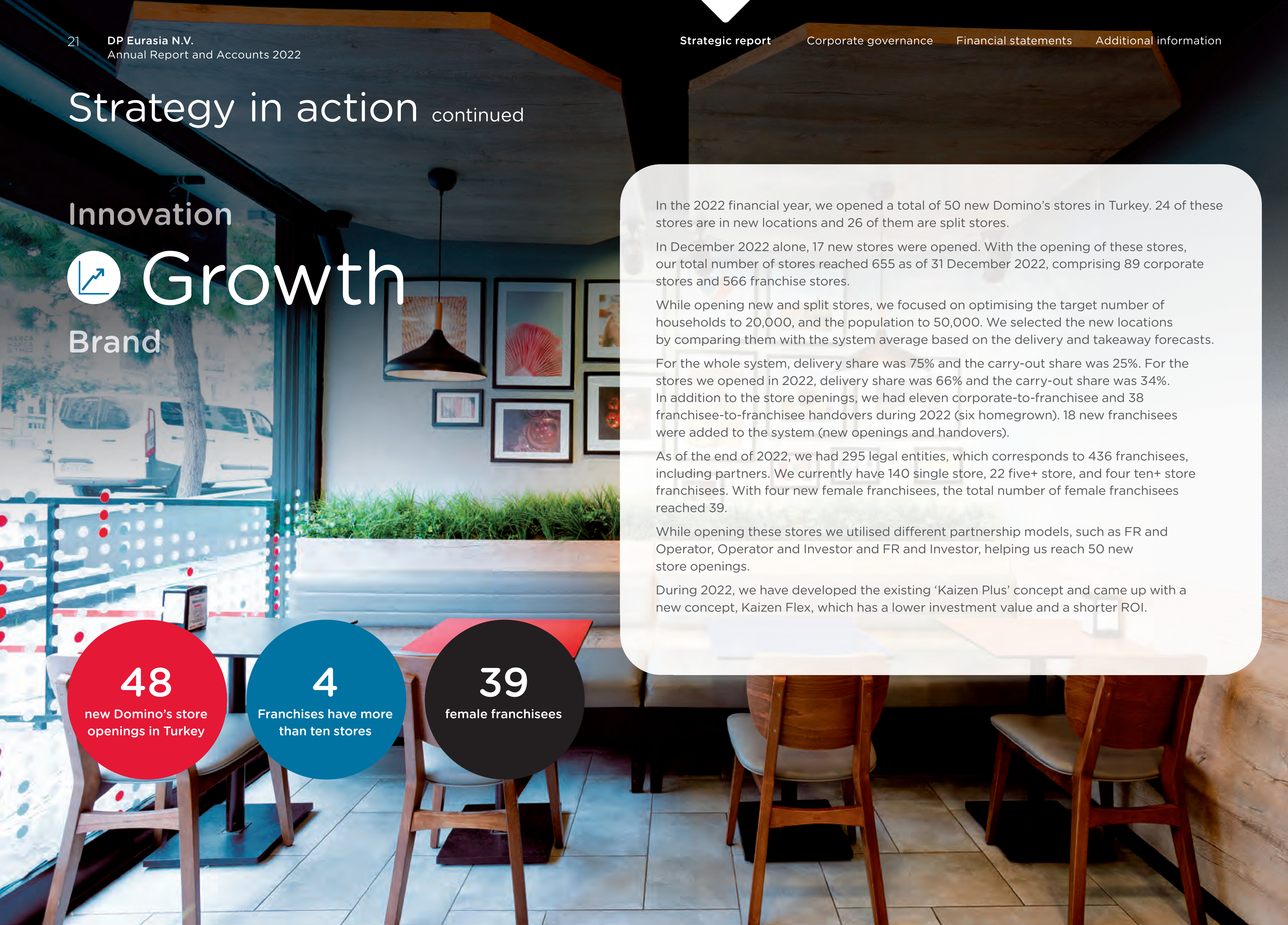


When transitioning to the five-segment structure, the figures switched to:



(1) Food cost shows how much the cost in the bill of materials ("BOM") covers the sales price, excluding VAT.

Strategy in action continued



Innovation

Growth

Brand

In the 2022 financial year, we opened a total of 50 new Domino's stores in Turkey. 24 of these stores are in new locations and 26 of them are split stores.

In December 2022 alone, 17 new stores were opened. With the opening of these stores, our total number of stores reached 655 as of 31 December 2022, comprising 89 corporate stores and 566 franchise stores.

While opening new and split stores, we focused on optimising the target number of households to 20,000, and the population to 50,000. We selected the new locations by comparing them with the system average based on the delivery and takeaway forecasts.

For the whole system, delivery share was 75% and the carry-out share was 25%. For the stores we opened in 2022, delivery share was 66% and the carry-out share was 34%. In addition to the store openings, we had eleven corporate-to-franchisee and 38 franchisee-to-franchisee handovers during 2022 (six homegrown). 18 new franchisees were added to the system (new openings and handovers).

As of the end of 2022, we had 295 legal entities, which corresponds to 436 franchisees, including partners. We currently have 140 single store, 22 five+ store, and four ten+ store franchisees. With four new female franchisees, the total number of female franchisees reached 39.

While opening these stores we utilised different partnership models, such as FR and Operator, Operator and Investor and FR and Investor, helping us reach 50 new store openings.

During 2022, we have developed the existing 'Kaizen Plus' concept and came up with a new concept, Kaizen Flex, which has a lower investment value and a shorter ROI.

48 new Domino's store openings in Turkey

4 Franchises have more than ten stores

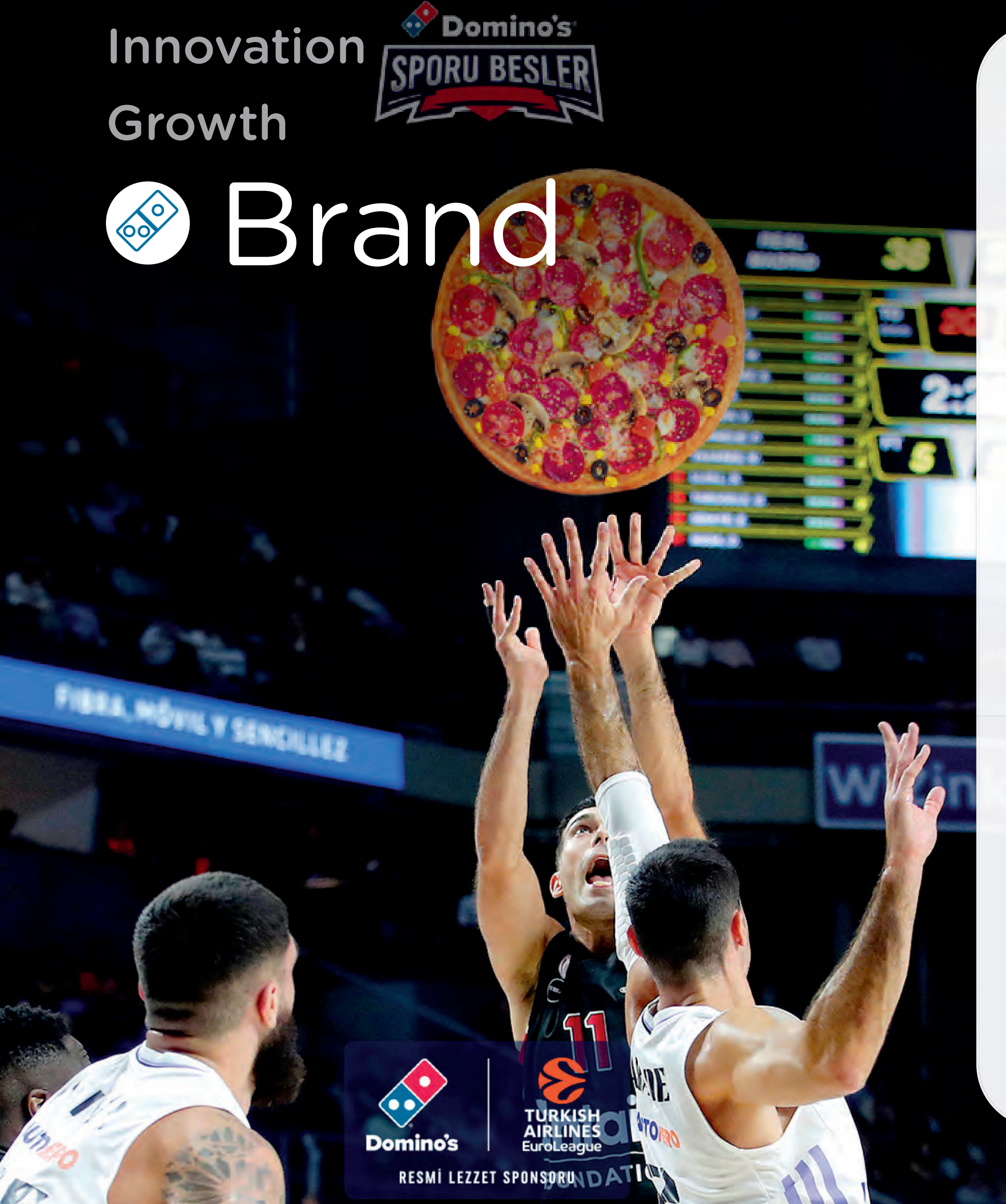
39 female franchisees

Strategy in action continued

Innovation

Growth

Brand



We have shaped the price, service, product and image-oriented communications to the needs and expectations of our customers to create new stories and memories, and enhance brand-customer relations in 2022.

Sponsorship

EuroLeague

At Domino's Turkey, we are in our third sponsorship year with the EuroLeague, the most prestigious basketball organisation in Europe.. The sponsorship is one of our main projects that supports the "Domino's Feeds Sports" slogan, which is used in our communications with young and sporty audiences. This year, thanks to this sponsorship, we have reached millions of basketball fans. As in previous years, we continued our EuroLeague-specific campaigns in 2022. In addition to the campaigns which brought incremental sales, the brand perception of Domino's and the awareness of sponsorship among our target audiences were both enhanced by increasing our communications, especially during the Final Four period. In this respect, we actively used TV commercials, the design of our restaurants, digital advertisements and social media channels throughout the season. During the Final Four period, we shared the excitement of more than 500 thousand people with our EuroLeague filter, which was specially prepared for Instagram.

Due to the pandemic, in recent years we had to move forward with a different structure regarding EuroLeague related content. As the impact of the pandemic starts to lessen, this year we looked to social media as our key platform to promote the sponsorship. Within the scope of our sponsorship agreement, we gave more weight to digital channels in the 2022-2023 season for the content we receive from all teams. Special content for TikTok and Instagram was shot with Turkish teams Anadolu Efes and Fenerbahçe Beko. While appreciating digital channels, we aimed to reach the target audiences more effectively with our strength in our App and Web channels. We shared the excitement of our target audiences by having content that is much more coherent with the social media world on the days of the Turkish teams' matches, and in line with this content, we reached more than 8 million views and experienced more engagement. In terms of our sales performance during EuroLeague match hours, we reached our highest performance in the sponsorship period.

Strategy in action continued

Brand

Lovemark

Domino's has been awarded with the Lovemark

While it was a tumultuous year in regards to economic challenges, it was also a year that customer behaviours changed and transformed. But the trust and love our customers have for us has been officially recognised with the Lovemark Reward for the first time for Domino's Turkey.

We have emerged through a period that was full of distrust, anxiety and economic challenges, where customers limited their arbitrary spendings and increased their savings. While struggling with high inflation, we have never turned a blind eye to the needs of our customers whilst they struggled with inflation. We knew our customers were loyal to us and would return to us if we provided them with the necessary service. In the fast-food restaurant/pizza category, we have become "The Technological Brand of Turkey". We aspired and achieved to become the lead in the pizza category, and were announced as a reputable name in that list in March 2021. One of our largest demographics, Generation Z, proved their loyalty to the brand by presenting the academy youth index G250 reward. We have not just become the most influential brand in the pizza category, but also became the most trusted and preferred brand in Turkey for the younger generation.

As we pass through a challenging year, our customers rewarded us with the Lovemark. This year we felt proud of being the most loved pizza store of Turkey, and it demonstrated the success of our strategy to gain and maintain customers. This award recognises the unwavering love and support of our customers, as well as the steps we have taken in the year. By successfully analysing the buying habits of our customers, we knew that we were taking the steps that were influencing their actions and habits. We will continue to grow that love as a brand that has succeeded to win customers' favour during crises such as the COVID-19 pandemic and the cost-of-living crisis.

Strategy in action continued

Brand

How have we used social media to engage customers?:

Social media and TikTok

According to recent research, almost half of all internet users of working age actively visit their social platforms to learn about brands and research the products/services they are considering purchasing[(1)]. According to statistics, an average internet user spends more than two and a half hours on social media per day. This year social media has been one of the most important tools to strengthen our image and communicate with our customers as Domino's, being active in the places where our customers are. This year, we differentiated our social media platforms and actualised the strategy of publishing content for each social media channel. We have supported our "We need to be wherever our customers are" motto by including TikTok and using it effectively through ongoing IG posts, reels and stories.

Our main aim was to build strong connections with our target audience over different social platforms. We have accomplished our projects on social platforms by delivering the right content to the right people, our posts are especially effective with the younger generations, who are our main target audience. In 2022 we entered a new era that will use TikTok more frequently with the announcement of the Pizzetta. By utilising influencer marketing as a key tool, in the year we have strengthened our marketing by having unique, digital only projects for the first time. Until this year, our celebrity-sponsored projects were mainly broadcast on television, so we have expanded our digital influence this year by producing only digital projects.

We have achieved 9 million singular views and 105 million views by working with eleven influencers during the Pizzetta launch.

Our main objective was to expand the reach of a standard communication strategy and directly communicate with our target audience while building our strategy for TikTok. During this process we have reached different audiences by publishing different content. Platform-based customer communication was one of the subjects we have highlighted this year. The lesson we have taken from this will shape our future.

In order to increase the awareness of our new product, the rectangular pizza Pizzetta, we launched the "Dikkat Enis Çıkabilir" Project together with the face of our brand, Enis Arıkan. Due to the pandemic, consumer behaviour changed and the takeaway and digital market soared. To reflect this, the project was developed only for digital platforms, with the project specifically active on just Instagram to meet these consumers. We took advantage of both the celebrity and influencer power of our brand spokesman to interact directly with our customers. In this project, Enis Arikan went to our branches and pretended to be one of the Domino's employees, we shared a teaser that we shot with a hidden camera on our Instagram accounts and told our customers, 'You can meet Enis at Domino's branches at any time'. After our teaser, we prepared a survey for our customers and asked which branch they would like to see Enis in. As a result of the feedback, we determined which branches in Istanbul that Enis would go to.

When Enis Arıkan arrived at our branches, he communicated which branch he was in from our social media accounts with the 'take over' model. After each share, the excitement of our customers increased further as they tried to discover the next branch he would be in. With the completion of Enis' branch visits, we shared a final video from our social media accounts featuring Enis' adventures and customer reactions during this process.

The "Dikkat Enis Çıkabilir" Project significantly strengthened our connection with our target audience. One of the main aims of the project was to convey the dine-in experience to our followers at Domino's, which is geared towards the uptrend market. With this project, we directed our customers to branches. We wanted to reach a wider audience, so we focused on vertical screen-based platforms. At the end of the project we had reached more than 7.8 million individuals and had more than 21.4 million views to our content. We have had 3 million singular views, 3.3 million interactions derived from the content, 17 thousand likes, 268 comments, 66 saves, 607 shares, and more than 30 thousand poll answers.

We have established strong connections with our customers this year by aiming to keep our social platforms ad-free and authentic to encourage communication with our target audience directly.

(1) We Are Social, 2022 4. Quarter Report.

Strategy in action continued

Brand

Awards

Like other years, 2022 was full of awards. As a brand that always prioritises improving the customer experience through innovation, our customers nominate us for awards from many leading reputable organisations. Based on the results of Turkey's Lovemarks research made by IPSOS (a credible global research company), for MediaCat, Lovemark Awards surveyed which brand had succeeded the most in establishing a bond with their consumers, Domino's has been crowned with the Lovemark award by a large margin amongst other brands in the pizza category. In the Hammers Awards, where marketing teams in Turkey were evaluated by a jury formed with CMOs, the Domino's Marketing team gained two Silver Awards as the best Marketing Team in the Retail sector and the best Sponsorship and Brand Collaborations Team. In the Brandverse Awards, organised by Marketing Turkey and BoomSonar, which evaluates the comprehensive marketing projects, Domino's has received two bronze awards in the Fast Food category for Data Analytics studies, and in the Sponsorship category with EuroLeague Sponsorship projects. Moreover, the launch of Makarnos has been honoured with a bronze award from Effie, one of the most prestigious marketing competitions in the world, organised jointly by EACA (European Association of Communications Agencies) member Advertising Agencies Associations and Advertiser Associations in 55 countries around the world.

Strategy in action continued

Brand

Customer complaint experience

Thanks to our CRM adjustments, online orders ("OLOs") (Domino's App and Web) customer scores increased to 8.02 points in 2022 (2021: 7.92 points). Our Net Promoter Score ("NPS") rose from 24 points in 2021 to 37 points in 2022, an increase of 54%. The rate of customers whose requests were met with satisfaction in one hour increased to 80% in 2022 (2021: 66%). The complaint rate dropped from 0.13% in 2021 to 0.11% in 2022.

Resolution of complaints at first contact:
With the first contact solution project in the call centre for complaints, customers are provided with a solution at the first contact regarding their problem after a negative experience. It aims to ensure customer happiness on the scene without escalating the complaint to the branch. If there are unavoidable order-based compensations, a compensation product is defined for our customer's account. With the project, 80% of our customers' complaints are resolved within the first hour.

8.02 points
Customer score
2021: 7.92 points

37 points
NPS
2021: 24 points

0.11%
Complaint rate
2021: 0.13%

Special follow-up and development of branches:
We started to follow the branches that were in the bottom 20 places in customer satisfaction KPIs in each two-month period. We have taken an active role in targeting improvement points and sharing focus areas for improvement every week. During the follow-up period, we offered one-to-one support to those branches that were continuing to experience problems. With referrals and data tracking, the branches that were in the last 20 places were successful in improving their ranking and getting out of the bottom 20.

Customer experience newsletter:
We have compiled a monthly newsletter in which we share our customers' recent feedback on Domino's, – both positive and negative. By sharing the newsletter with the whole system, we showed the expectations of Domino's customers and focused on points that could improve the system in this way.

Customer happiness committee:
Customer happiness committee meetings were held once a month with the operations team. During the committee meetings, operational customer data was shared with the team. Guidance was given on areas to develop and general data was provided in terms of branch and regional operations.

Staff attitude complaints:
Personnel attitude complaints were handled privately and started to be shared directly with the operations team independent of the branch. With this change, we started to follow the process one-to-one in taking operational action to resolve personnel attitude issues, which are critical issues.

Branch calls evaluation, supervision and reporting:
The process of listening to branch calls was handled as a whole. In addition to the routine calls from the branches, random inspections were carried out for the branches that experienced problems. Instant detections and one-to-one feedback was shared with the branch executives and the operations team. In addition, at the end of each evaluation period, the findings were reported and shared by post on a regular basis, with action being taken if needed.

COFFY

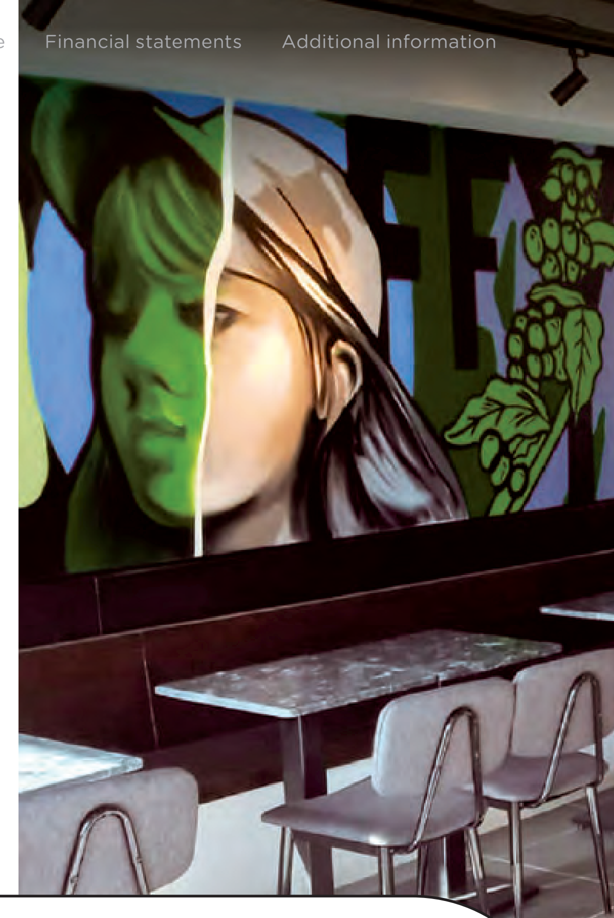
A coffee brand that disrupts conventional thinking by offering coffee at a single price, bringing innovation to the industry and a smile to customers' faces.

COFFY: high-quality and affordable coffee!

Innovation

With COFFY, we have created a new model in coffee culture in Turkey by offering all types of coffee at a single price. We continued our single price strategy in 2022, taking coffee out of the luxury consumption category and making it a part of daily life. This year, we positioned ourselves as the neighbourhood coffee shop; bringing a new brand to the industry that is accessible to everyone, establishing an organic connection with its customers, and truly living up to its name. Our prices, franchise system strength, quality varieties, and technological infrastructure have set us apart in the industry. As COFFY grows, we have started to reach our customers through different mediums. As of 2022, we have three different concepts: large stores (cafe format), corner stores (takeaway format) and kiosks. With COFFY, we have not only created a unique Turkish brand with our prices, quality, and flavours, but also with the strength of our technological base. We have continued to develop our digital tools at COFFY with the highly innovative order tracking screens that enhance our customers' comfort while they wait for their order. Our COFFY App stands out with its "Get it without waiting" feature, which saves time and eliminates waiting in line for coffee.

COFFY continued



Growth

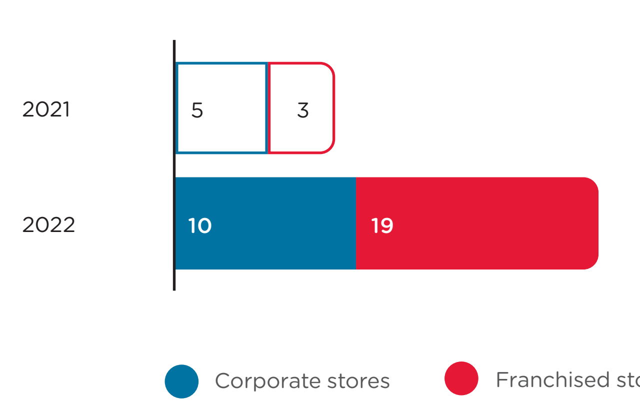
COFFY reached 29 active branches in 2022 (ten corporate and 19 franchised). In order to support the growth in the Aegean region, three corporate branches were opened in Izmir, followed by Istanbul and Ankara; two cities with the highest population in Turkey.

As of 2022, we have 19 branches in Istanbul, five in Ankara, three in Izmir, one in Bursa and one in Antalya. We have sustained a healthy growth by applying the "castle" strategy that has supported Domino's growth.

We opened our first two branches in Antalya and Cankaya, Ankara in the same location as Domino's in order to use the franchise potential with Domino's experience to increase the customer interaction between the two brands.

We aim to be at every point where the customer is, with three different branch concepts (cafe, corner, kiosk). New franchise candidate applications are received from the website, franchise fairs and monthly webinar meetings.

COFFY outlets across Turkey



COFFY locations(1)

COFFY continued

Brand

Beyond consuming just for pleasure, coffee has become a necessity for gaining energy, increasing creativity, and keeping our morale high in order to continue with the day at full speed. We have created a new model in coffee culture; COFFY is a brand that promotes quality coffee by offering it at a reasonable price, ensuring it is quick and easy with simple digital experiences that provide comfort and happiness to customers. The most important point that sets us apart from our competitors is that we are a "single priced technological coffee point". We have brought a whole new dimension to the industry by saying "our coffee is not cheap – they are expensive" with our prices, franchise system strength, quality varieties and technological infrastructure.

We kept our single price strategy in 2022. There are more than 20 coffee-related drinks, such as filter coffee, macchiato and espresso that can be served both hot and cold. Hot coffees are available in three different sizes at a fixed price. At the beginning of 2022, these were TRY 9.99, 12.99 or 15.99. There are two different sizes for cold drinks, priced at TRY 12.99 and 15.99. Milk, skimmed milk, vegan milk, marshmallows and cookies can be added for the same fixed price. COFFY also sells water, fruit juices and other canned beverages, and the food menu is made up of sandwiches, various bakery products, both sweet and salted, and many healthy snacks. Some larger sandwiches were added to the product list to satisfy higher price levels and encourage larger purchases.

During the year, we increased our prices four times due to inflation and we ended up with the cost at TRY 17.99, 20.99 and 24.99, which is a 70% increase from the previous year. In these price hikes, we observed our competitors implemented tests among various fixed price options and we continued to position ourselves at 30% to 40% cheaper than the competition.

With its affordable prices and quality coffee, COFFY's biggest customer base is students and people between the ages of 16-25. In the U&A research, we learned what is important for Gen Z and determined our action plan for store experience and communication. A good coffee experience comes with good cafe design. In 2022, we made improvements to store design and created tote bags as part of COFFY merchandise and started selling them in stores. With Green COFFY, we contributed to sustainability by preventing paper cup waste with our thermos cups. We aim to further advance the Green COFFY brand created within COFFY.

We have brought our innovative brand approach to our products, which has been greatly appreciated by our customers. In addition to fresh coffee, we offer all of our daily prepared sweet and savoury snacks, as well as our new delicious sandwiches, at an affordable price.

In the second quarter of 2022 at COFFY, the "Bubble" beverage line went on sale to offer a new experience to our consumers with apple and blueberry flavours added to the lemonade.

We have grown the cold drinks category by 25%.

By adding tiramisu, profiteroles and cheesecake in the dessert options, we opened the system for sale in the second quarter.

Consumers with a larger appetite can enjoy a variety of sandwiches alongside their coffee, such as hash-brown hummus triangle sandwiches, Ezine cheese focaccia sandwiches, chicken baguette sandwiches with curry sauce, and plenty of cheese-based sandwiches.

COFFY continued

What can our customers expect?

Simplicity

- Single price for different choices
- Good quality coffee and food assortments
- Supported by continuous product innovation

Value for Money

- More attractive pricing
- Supported by shared services with DPEU
- Different store concepts for diverse customer profiles

Convenience

- Easy & fast App experience
- Supported with advantage of single online ordering platform and advanced franchisee management know-how
- Loyalty programs to increase frequency and build lifetime value

10%
share of app in total sales

Brand continued

Food turnover has grown by 15%

We supported growth, one of our main goals for 2022, in many areas of our marketing. We organised grand opening events in cities where we opened a COFFY store for the first time, such as Izmir. We offered tastings at the branch during these opening events, received press coverage and supported them with influencer marketing. We also supported our franchises by increasing brand awareness through other media platforms, such as appearing in industry magazines with news of our store openings and communicating with investors.

This year, as 85% of our sales were takeaway, we communicated with customers at the point of contact within the store. We communicated our single price initiative on panels such as BTL and used cutouts for the products we wanted to highlight. We used digital screens in stores as a new way to share news. We were active on social media and shared at least one post a day that would encourage interaction. Communication during events increased the sales rate and app usage. World Coffee Day was one of the most important occasions for us, and the communication we made contributed to brand awareness. We mainly used the COFFY App during these events to engage with consumers, and continue to do so through monthly plans, both in-store and on social media. We also continued to work with aggregators, taking advantage of the opportunities by offering various menus to our customers. We have not forgotten our student and employee customers as we offer a delivery service which includes suitable menus to meet different meals of the day. By co-operating with aggregators via coupons, adverts and mailings, we introduced the COFFY brand to target new customers.

COFFY continued

Digital

This year, COFFY has made many improvements to enhance the customer experience in both the app and the store. We made one of the most significant impacts by introducing a free take away experience which skips the queues. A structure was designed for our customers to place their orders from the app before they arrive at the store to enable the shop to prepare the order. Once the "I arrived" button is selected, customers can receive their order without any delay. By implementing this structure, a seamless experience was created where the customer can follow their order on the screens when they enter the COFFY store and quickly retrieve their order at the delivery point. The total digital sales of the app in the last four months is at 34%, increasing by 9.8% compared to the same period of last year.

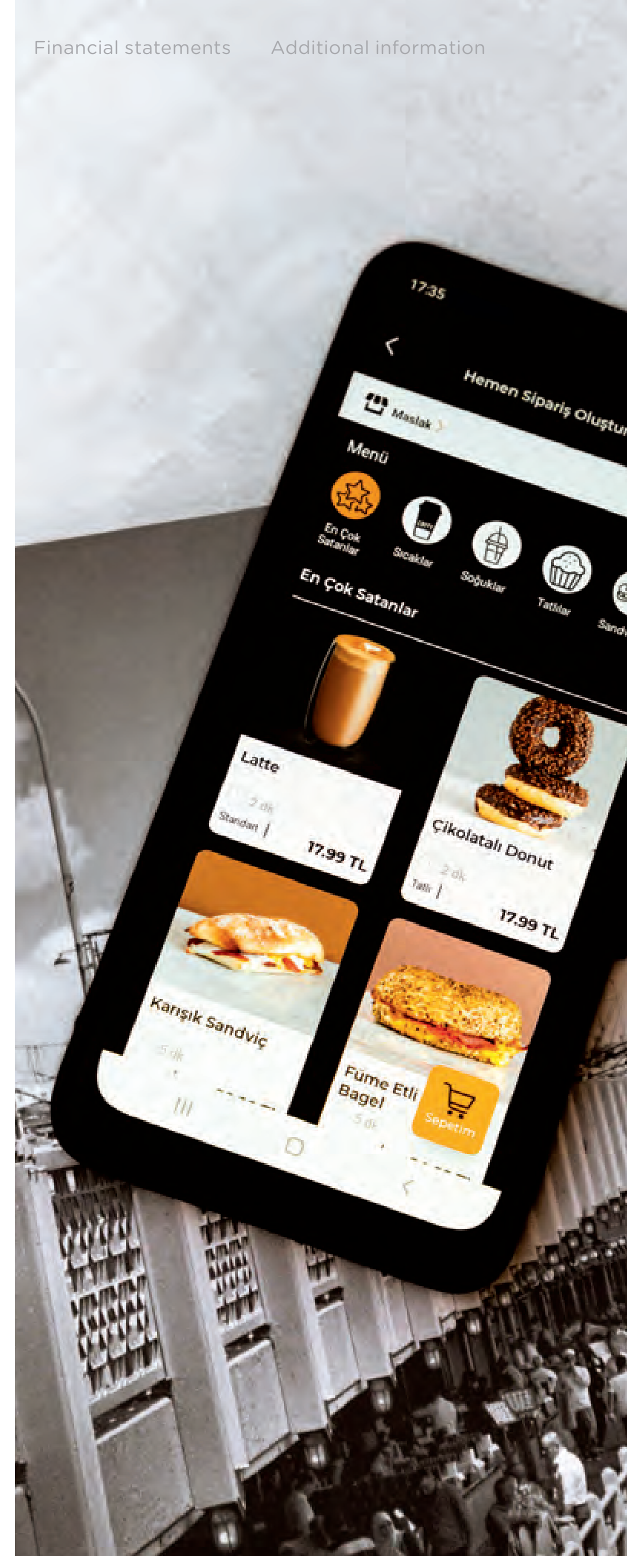
Other user experience improvements have been added to the application. Customers can join the order stage quicker, customise many products whilst placing their order and can repeat the previous order with a single click; this has increased the conversion rate by 20%.

In addition to the online payment opportunities offered to customers, payment alternatives such as Sodexo and MultiNet were added. This increased app usage by 45%.

To further increase consumers using the app, a mechanism was added that offers non-coffee recommendations based on the basket. We can upsell with by-products and front-of-the-box products through this development. We look forward to increased order sales and loyalty from the customers in 2023.

Along with the app improvements, this year accelerated direct marketing communications through advertising investments and Insider integration, which led to 80% more new installs. In addition to Insider re-marketing efforts, Storyly integration was provided, which increased customer engagement and minimised the risk of uninstalling the app. Customers who opened the application interacted with Storyly features such as questionnaires (which were used from other social media tools), achieving an engagement rate of 25%.

These developments gained more users and secured their loyalty to the brand. A CRM infrastructure was established where we could analyse the customer base better, create market profiles and scrutinise customer changes. With the building of the CRM infrastructure, we can better understand the COFFY customer and see which segments could be lost or likely to change, even on a store basis. Thus, we continue to entice a better roadmap to our innovations, such as product developments and marketing communications.



Strategic review

DP Eurasia's store count grew by an outstanding 71 year-on-year.

Performance review

Group System sales (after IAS 29)[3] (in millions of TRY, unless otherwise indicated)	2022	2021	Change	Change (pre-IAS 29)
Group system sales[1]				
Turkey	**3,391.5**	3,417.1	(0.7%)	72.1%
Azerbaijan	**79.2**	64.9	22.0%	109.8%
Georgia	**42.6**	27.4	55.5%	165.1%
COFFY	**59.2**	11.2	428.6%	828.8%
Total continuing operations	**3,572.5**	3,520.5	1.5%	76.0%
Russia (discontinued operations)	**1,119.9**	629.4	77.9%	77.9%
Grand total	**4,692.4**	4,149.9	13.1%	76.5%

	(after IAS 29)		(pre-IAS 29)	
Group system sales like-for-like growth[4]	**2022**	2021	2022	2021
Turkey	**(5.6%)**	25.9%	63.5%	50.4%
Azerbaijan (based on AZN)	**8.0%**	7.1%	8.0%	7.1%
Georgia (based on GEL)	**12.6%**	67.2%	12.6%	67.2%
Total continuing operations	**(5.3%)**	26.0%	62.2%	49.9%
Russia (discontinued operations, based on RUB)	**(9.8%)**	9.6%	(9.8%)	9.6%

	As of 31 December					
	2022			2021		
Store count	**Corporate**	**Franchised**	**Total**	Corporate	Franchised	Total
Turkey (Domino's)	**89**	**566**	**655**	100	507	607
Azerbaijan	**—**	**10**	**10**	—	10	10
Georgia	**—**	**6**	**6**	—	4	4
COFFY	**10**	**19**	**29**	5	3	8
Total	**99**	**601**	**700**	105	524	629
Russia	**63**	**96**	**159**	94	94	188
Grand total	**162**	**697**	**859**	199	618	817

Strategic review continued

COFFY has demonstrated very strong sales performance and now represents an outstanding growth opportunity for the Group.

DP Eurasia's store count for continuing operations increased by 71 year-on-year, or by 42 stores when including Russia – the difference being the store rationalisation programme in the territory. As a result of this growth in our core territories, the Group increased its system sales by 1.5% year-on-year. Growth on a pre-inflation adjustment basis would have been 76%.

System sales of Turkish Domino's operations stayed almost flat on inflation adjusted basis. Nonetheless, adjusted for last year's VAT reduction of 7pp to 1% (which lasted until the end of July), system sales growth would be around 4.4%. The Group experienced robust franchisee interest in Turkey resulting in a strong store pipeline, laying solid foundations for future growth. Domino's Pizza net store count in Turkey increased by c.8% over the last twelve months. The 48 net store addition was higher than the guidance range of 30-40, building on a record year in 2021.

COFFY has demonstrated very strong sales performance and now represents an outstanding growth opportunity for the Group. The COFFY network growth accelerated in 2022 with a 21 new store opening. This was in line with guidance to reach 29 stores in total thanks to solid franchisee demand.

System sales of the Russian operations, which are now classified as discontinued, increased by 77.9% (-14.8% based on RUB). Like-for-like growth was -9.8% in Russia during the period. In Russia, we faced a strong comparable period while operating in a difficult geo-political and economic environment. As previously announced, the Group is considering various options which may include a divestment of its Russian operations. Whilst work on a potential transaction is ongoing, there can be no certainty as to the outcome. In the meantime, the Group continues to limit investment in Russia and remains focused on optimising the existing store coverage. Following the closure of 31 stores and opening of two new franchise stores over the course of 2022, the number of Russian stores stood at 159 as of 31 December 2022.

Strategic review continued

Online delivery system sales as a share of delivery system sales in Turkey reached 81.2% for the period, which represents almost five percentage point increase on a year-on-year basis.

Delivery channel mix and online like-for-like growth

The following table shows the Group's delivery system sales, analysed by ordering channel and by the Group's two largest countries in which it operates, as a percentage of delivery system sales:

	For the period ended 31 Dec					
	2022			2021		
	Turkey	**Russia[1]**	**Total**	Turkey	Russia[1]	Total
Store	**18.2%**	**6.1%**	**16.9%**	23.3%	7.1%	22.3%
Online						
– Group's online platform	**24.8%**	**71.0%**	**35.6%**	25.2%	69.1%	31.4%
– Aggregator	**56.4%**	**23.0%**	**47.0%**	51.1%	23.8%	46.0%
– Total online	**81.2%**	**94.0%**	**82.6%**	76.3%	92.9%	77.4%
Call centre	**0.6%**	**—**	**0.4%**	0.4%	—	0.3%
Total	**100%**	**100%**	**100%**	100%	100%	100%

(1) Discontinued operations.

The following table shows the Group's online LfL growth[4], broken down by the Group's two largest countries in which it operates, for the periods ended 31 December 2022 and 2021:

	(after IAS 29)		(pre-IAS 29)	
Group online system sales LfL growth[4]	**2022**	2021	2022	2021
Turkey	**(2.8%)**	45.2%	67.9%	73.3%
Russia (discontinued operations, based on RUB)	**(9.5%)**	12.4%	(9.5%)	12.4%

Online delivery system sales as a share of delivery system sales in Turkey reached 81.2% for the period, which represents almost five percentage point increase on a year-on-year basis. This performance was also aided by an increase in volumes through the aggregators.

Strategic review continued

Financial review

(in millions of TRY)	For the year ended 31 Dec 2022	2021	Change
Revenue	**2,220**	2,063	7.6%
Cost of sales	**(1,396)**	(1,268)	10.1%
Gross profit	**823**	794	3.6%
General administrative expenses	**(282)**	(263)	7.2%
Marketing and selling expenses	**(347)**	(343)	1.1%
Other operating expenses, net	**(5.7)**	7.2	n.m.
Operating profit/(loss)	**189**	196	-3.6%
Foreign exchange gains/(losses)	**85**	50	71.7%
Financial income	**110**	54	104.8%
Financial expense	**(240)**	(133)	81.1%
Monetary profit/(loss)	**47**	49	-2.4%
Profit/(loss) before income tax	**191**	215	-11.2%
Tax expense	**11**	(81)	n.m.
Profit/(Loss) after tax, from continuing operations	**202**	134	50.5%
Loss from discontinued operations	**(211)**	(71)	197.2%
(Loss)/Profit for the period	**(9)**	63	n.m.
Turkey adjusted EBITDA(5)	**337**	313	7.5%
Adjusted EBITDA(5)	**311**	296	5.3%
Adjusted net income (from continuing operations)(6)	**214**	143	50%

Strategic review continued

Revenue

Group revenue grew by 7.6% to TRY 2,220 million on an inflation adjusted basis.

Adjusted EBITDA

Adjusted EBITDA, which now excludes Russia, was TRY 311 million, a year-on-year increase of 5.3%. The adjusted EBITDA of Turkey, which includes the Azerbaijani and Georgian businesses along with COFFY, realised at TRY 337 million, which demonstrated a 7.5% year-on-year increase. Please note that the adjusted EBITDA for the Russian segment, which is now a discontinued operation, for the period was TRY 2 million.

For the period ended 31 December 2022, the adjusted EBITDA margin as a percentage of revenues was 15.1% compared to 15.2% over the same period in 2021. Unprecedented increases in food costs across the board and higher personnel expenses were the main negative factors that weakened profitability in 2022. Meanwhile, strong sales performance created operating leverage through the system despite the above-mentioned cost pressure. The Group took advantage of its robust purchasing power and built-up additional inventory during the period to combat elevated food costs.

Adjusted net income

For the period ended 31 December 2022, adjusted net income from continuing operations was TRY 214 million. The growth in revenue and adjusted EBITDA as well as the foreign exchange gains due to the devaluation of the TRY against the RUB were the main reasons for the return to profitability. On the other hand, discontinued operation loss was TRY 211 million due to non-cash write-offs driven by accounting treatment to the Russian business.

Capital expenditure and cash conversion

The Group incurred TRY 82 million of capital expenditure for the continuing operations in the period ended 31 December 2022. Cash conversion, defined as (adjusted EBITDA excluding IFRS 16 impact - capital expenditure) / (adjusted EBITDA excluding IFRS 16 impact) for the period was 70% (2021: 74%) for the Group (continuing operations).

Adjusted net debt and leverage

The Group's adjusted net debt, excluding discontinued Russia financials, as of 31 December 2022 was TRY 562 million, staying flat compared to the inflation adjusted net debt of end-2021. Including the Russian business, this equates to TRY 909 million net debt.

The Group's leverage ratio (defined as adjusted net debt/adjusted EBITDA) based on continued operations, stood at 1.8x as of 31 December 2022 (after IAS 29) versus 1.9x at the end of 2021. Including all Russian related debt (both Sberbank loan and lease liabilities), our leverage ratio would go up to 2.9x by the end of 2022. Including only the Sber bank loan (for which DPEU is the debt guarantee) to debt calculations, this equates to a 2.3x leverage ratio, which is unchanged versus the 2021 year-end.

In an increasing rate environment, c.90% of the Group's bank borrowings had fixed rates whereas average maturity stood at 1.5 years.

The Group had TRY 360 million of cash (excluding cash of Russia) and access to an additional banking facility of TRY 225 million as of 31 December 2022.

Current trading

System sales growth and like-for-like growth for the eleven weeks ended 19 March of 2023 compared to the same period in 2022 were as follows:

Group system sales growth (after IAS 29)	For the eleven weeks ended 17 March 2023
Turkey	15.5%
Azerbaijan	(10.8%)
Georgia	40.9%
COFFY	469.1%
Total continuing operations	**18.2%**
Russia (discontinued operations)	11.6%

Group system sales growth (after IAS 29)	
Turkey	11.5%
Russia (discontinued operations, based on RUB)	(20.8%)

Strategic review continued

2023 Outlook

- Strong momentum from store openings in Turkey is anticipated to continue for both Domino's and COFFY, driven by solid franchisee demand. Our commitment to maintaining franchisee profitability is front and centre of this demand. 2023 is therefore anticipated to be another year of strong network expansion as the Group seeks to broaden its coverage to cater to demand.
- The Group anticipates that it will maintain organic and LfL sales momentum in 2023 driven by sustained network growth, volume expansion and targeted price adjustments. New customer acquisition and increased order frequency levels are expected to contribute to growing volumes.
- Group system sales growth performance has started strongly in the first 11 weeks of 2023, up 18.2% for continuing operations and up 11.5% in Turkey on a like-for-like basis.[3,4]
- The Group is mindful that 2023 will be another year of volatile macro-economic circumstance and uncertainty. The inflation risk persists, and while the Group has a good track record of managing and negating the impact of inflation, it may affect overall growth levels. Nevertheless, the Group believes that it can continue to appropriately manage the inflationary risk.
- Guidance for store openings, LfL growth rates and capital expenditure in Turkey for 2023 is as follows:

LfL growth rate	Mid single digit (pre IAS 29: 60-70%)
Domino's Pizza net store openings	35-40
COFFY net store openings	50-60
Capital expenditure	**TRY 160 m**

Notes

(1) All Group figures exclude Russian business which is now a discontinued operation.

(2) COFFY numbers are included in all Turkey and Group figures, unless presented separately. Like-for-like figures exclude COFFY.

(3) System sales are sales generated by the Group's corporate and franchised stores to external customers and do not represent revenue of the Group. These numbers are not audited.

(4) Like-for-like growth is a comparison of sales between two periods that compares system sales of existing system stores. The Group's system stores that are included in like-for-like system sales comparisons are those that have operated for at least 52 weeks preceding the beginning of the first month of the period used in the like-for-like comparisons for a certain reporting period, assuming the relevant system store has not subsequently closed or been "split" (which involves the Group opening an additional store within the same map of an existing store or in an overlapping area). This is a non-IFRS measure and non-IFRS measures are not audited.

(5) EBITDA, adjusted EBITDA and non-recurring and non-trade income/expenses are not defined by IFRS and non-IFRS measures are not audited. These items are determined by the principles defined by Group management and comprise income/expenses which are assumed by Group management to not be part of the normal course of business and are non-trading items. These items, which are not defined by IFRS, are disclosed by Group management separately for a better understanding and measurement of the sustainable performance of the Group. Please refer to Note 3 in the Consolidated Financial statements for a reconciliation of these items with IFRS.

(6) Adjusted net income is not defined by IFRS and non-IFRS measures are not audited. Adjusted net income excludes income and expenses which are not part of the normal course of business and are non-recurring items. Management uses this measurement basis to focus on core trading activities of the business segments and to assist it in evaluating underlying business performance. Please refer to Note 3 in the Consolidated Financial statements for a reconciliation of this item with IFRS.

(7) Net debt and adjusted net debt are not defined by IFRS and non-IFRS measures are not audited. Adjusted net debt includes cash deposits used as a loan guarantee and cash paid, but not collected during the non-working day at the year end. Management uses these numbers to focus on net debt including deposits not otherwise considered cash and cash equivalents under IFRS.

(8) Delivery system sales are system sales of the Group generated through the Group's delivery distribution channel.

(9) Online system sales are system sales of the Group generated through its online ordering channel.

(10) Group like-for-like growth is a weighted average of the country like-for-like growths based on store numbers as described in Note (2). This is a non-IFRS measure and non-IFRS measures are not audited.

Stakeholder engagement

Our customers

What matters to them?

The most critical aspects for our customers are service, image and product. Whilst meeting the expectations of our customers with our fast service, we also provide them with a digital experience. We respond to the needs of our customers with our delicious and customer-oriented products. Our work on social responsibility and sponsorship creates value.

How we engage?

We communicate with our customers 365 days a year without interruption. We maintain communication in both online and offline channels, and communicate with our customers on both the omni-channel and media-oriented platforms. We engage with our customers thanks to this strategy we have established.

Read more on page 18

Our shareholders

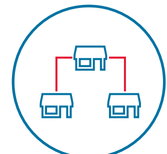
What matters to them?

Sustained ability of our Group to deliver strong operational and financial performance, along with consistent communication, matters most to our shareholders, who plays a central role in the growth strategy and action plans of the Group.

How we engage?

We have a clear and targeted engagement strategy with both our existing and prospective shareholders, which is transparently managed by our Investor Relations department. This strategy is also supported by the leadership team to understand the views of our shareholders with regards to the execution of the strategy.

Read more on page 83 – corporate governance



Our franchisees

What matters to them?

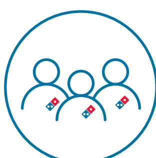
What matters most to the franchisees is the return on investment and profitability while maintaining a sustainable system which shows potential for sales and store growth. Excellence in operations and customer satisfaction is key.

How we engage?

We have a variety of ways to engage and support franchisees in terms of operations training, local marketing support and store growth incentives. Our aim is to convert low-performing stores to high-performing ones by keeping a close eye on each individual store's performance. Periodic store and franchisee visits, and tight communication, plays a critical role.

Read more on page 41

Stakeholder engagement continued



Our employees

What matters to them?

Employees expect to be a part of a growing organisation where they are also encouraged to grow. Growing means to learn more, to promote and to be satisfied with the culture that surrounds the business. The Group offers these alternatives with new brands and increased store numbers. Employees also seek a dynamic environment, transparency, open and trusted relationships, and a strong leadership team.

How we engage?

The Group incorporates different activities to engage its workforce: they can be categorised into three groups:

1. **Engage them with business:** Open communication about vision and results.
2. **Learning and development opportunities:** Homegrown opportunity is a strong proposition that most companies can't offer.
3. **Reward, recognition and motivational activities:** The Group also wants to receive employees' feedback and use this input to improve engagement strategies.

Read more on page 41

Our suppliers

What matters to them?

The most material issues on the supplier side are volatile raw material prices along with the high increase in production costs, unstable economical situation and high inflation on commodity prices. Therefore, trust and building long-term relations with a win-win policy is what matters most to them.

How we engage?

It is crucial for DPEU to accept all suppliers as our long-term business partners. We engage via open communication in line with our vision and targets. Despite the negative effects of the unstable economic circumstances, providing transparent procurement processes, an open book structure, and fair pricing strategies secures our long-term partnerships. Also, establishing all our purchasing and procurement processes on a firm, legal basis creates a strong and trustworthy environment.

Read more on page 71

Our community

What matters to them?

We strive to add value to the environment and society with our mission of becoming the "Pizza of the Neighbourhood". Our prime motivation is creating value and building relationships with society. As a brand that respects nature and the environment, we take care to keep community culture alive and support art, education and sports.

How we engage?

While contributing to the development of village schools, we renewed the basketball court in Mardin in co-operation with TEGV. Acting with a sense of responsibility towards stray animals, we supported the Hachiko Association. We believe that seeing wishes come true is unforgettable for every child, and we touch the lives of children with our collaboration with the Make-A-Wish Foundation and Koruncuk Foundation.

Read more on pages 42 and 43

Culture in action

DP Eurasia continues to make a difference through its objective to become a Food-Tech company.

The Group is focused on keeping Domino's unique cultural elements alive and integrating them with its new technology-driven business needs. In 2022, The Group worked with a well-known consultancy company to prepare for future organisational needs in a multi-country and multi-brand setting. This project was led by the Domino's Pizza Turkey HR Director, and an organisational structure was proposed where country leaders and brand leaders worked effectively together. The Group is in the transition phase right now, keeping in mind this ultimate goal. A consultancy company also designed responsibilities, a decision matrix and possible KPIs for roles.

Our people have a shared vision of how to achieve our Company's strategic goals. To ensure all employees are informed of business objectives and performance, we hold a variety of corporate events throughout the year. The Domino's Rally is one of the largest and most important of our communication events. In 2022, the Rally was held online again because of the pandemic to prevent possible risks. We held Dashboard meetings with our wider leadership team three times in 2022, where we discussed our strategy and updated plans. We also organised town halls for our headquarters employees to share our roadmap and business updates.

At DP Eurasia, with the guidance of our human resources policy, we acquire new talent who will become tomorrow's leaders, as well as promoting new leaders within the Group. The Group implemented its talent management plans with respect to this strategy. To achieve this, Human Resources worked with assessors to identify talents, provide development plans and follow-ups to them. This promotion strategy ensures continuity in company culture as well.

As part of the talent strategy, we use our onboarding system, called Onboar'D, as we know that we will make a difference if the new talent is adapted to the Company culture with the mentoring of existing leaders. At DP Eurasia, new employees also join the Pizza Prep School to learn about the Company and its culture. Since dough, pizza and restaurants are the core of our business, it is an important part of our recruitment process for our new employees to be able to work with the dough; learning how to make pizza and understand more about Domino's restaurants and operations.

In 2022, we expanded to include a new brand, COFFY, with a specific focus on growth. This required both incorporating systems for the second brand as well as differentiating some of them, since the new brand offers a different customer experience.

The Group started a long-term leadership development programme, "Be the Best", in Turkey in 2019. Leadership attributes were redefined within this programme in accordance with the Group's future vision and strategies. In 2022, as a follow-up to this initiative, New Generation Agile Management Training was conducted for 38 selected first-level managers.

To create constant learning environment we made our online learning platform accessible from all devices, including mobile, with both technological and structural changes. By 2022, we had integrated a new soft-skill training catalogue into the platform and transformed it into an integrated learning platform rather than a technical training library.

How do we create a culture that is driven by entrepreneurial spirit?

The Group supports this culture with numerous practices, such as supporting employees to become owners of their own stores. "Homegrowns" are our unique differentiated cultural symbol and the key to our success. To support homegrown candidates in developing business skills, the "School of Entrepreneurship" opened its doors for the fourth time last year, in which participants learned about franchise system dynamics, profitability models, and other fundamentals. We are proud to grow with them and have a deep sense of satisfaction at the mutual value created, both in their lives and in our business.

Additionally, headquarters employees are supported to try alternative work practices, to learn what worked or did not work, take decisions, and be accountable in their roles, just as they would if they managed their own business.

Culture in action continued

How have we enhanced our workforce engagement?

Employee engagement levels were monitored by the Employee Engagement Survey. This survey was carried out by a third-party company to understand employee thoughts about company practices in Domino's Pizza Türkiye ("DPT"). Also, we organised a Franchise Engagement Survey to hear franchisees' needs.

The feedback received helps the Group to better understand the visions, standpoints, and comments on the Group's human resources policy and the general business operations, so that they can take this into account when developing or amending policies and future decision-making.

Our workforce engagement

The Group has incorporated different ways to engage with its workforce. Most activities were held online for the last two years; in 2022, some activities continued in virtual meetings while others went back to the original in-person format. Hybrid meetings are also widely used, combining two models.

We intend to engage with all employees, but for certain activities, different people are invited every year to offer new perspectives, or only a certain target group will be invited. The feedback received helps the Group to better understand the visions, standpoints, and comments on the Group's human resource policy and general business operations. Below is an overview of the different activities enrolled to engage with the Group's employees and franchisees:

- councils: online/offline meetings, including multiple departments. These meetings are organised around a specific subject such as operational improvements or product development. Councils discuss current practices, improvement areas, and new innovations. Franchisees are also invited to these councils. These meetings are a great opportunity to hear different voices from all over the organisation and empower employees to improve business processes;
- regular employee meetings: monthly online meetings with all restaurant managers to update them on new developments and to receive their feedback on the operational calendar;
- regular franchisee meetings: online meetings with franchisees to update them on business plans;
- regular headquarters employee meetings: monthly online meetings with each functional department head, held by HR business partners;
- quarterly top ten restaurant employee online meetings: high-performing restaurants come together with management to celebrate successes and to receive suggestions on marketing, people practices and operational plans;
- regular employee meetings: online meetings with each headquarters department. Although these online meetings were initially instigated to improve the bonds of trust between HR and the other departments, it is also another informal way to hear the voices of individual employees or the input or concerns of a certain department;
- onboarding meetings: a planned activity with the HR Director and CEO to meet new headquarters employees to get their first impressions of the Company and to also share cultural initiatives with them;
- HR business partner observations: a regular activity in which dedicated partners spend time with employees in one-to-one interviews. Their observations are shared with senior management;
- feedback surveys: sent after every activity to monitor engagement and get ideas for the next event;
- pulse surveys: organised for headquarters employees to share feedback about their morale and motivation; and
- focus groups: organised for specific subjects when needed.

Sustainability in action

How have we supported our local communities?

About TEGV

The Educational Volunteers Foundation of Türkiye ("TEGV") was established on 23 January 1995, with the initiatives by a group of industrialists, managers and academicians wholeheartedly believing that education comes first. In particular, Suna Kıraç, who initially took this path as an education volunteer for the future of her country – Turkey – and then the world, with a view to support the basic education provided by the state. Since the day of its foundation, TEGV has focused on delivering non-formal education to children of primary school age, on the basis of the motto of "As each child changes, Turkey flourishes". TEGV became the most widespread non-governmental organisation operating in the field of education in Türkiye over the course of many years.

Sustainability in action continued

In 2009, TEGV was recognised as one of the foundations entitled with the right to "collect charity without permission" by the Council of Ministers.

TEGV continues providing educational support to children by adopting a contemporary mission and vision at eight education parks, 29 learning units and 18 Firefly Learning Units across 24 cities in Turkey, under the co-operation protocol signed with the Ministry of National Education ("MEB") on 28 December 2018.

In co-operation with the Education Volunteers Foundation of Turkey ("TEGV"), Turkey's most widespread non-governmental organisation operating in the field of education, TEGV Mardin Savur Learning Unit renovated the basketball court in Abdulgani Aras Event Center, which was mostly used by girls. Within the scope of the project we made with TEGV, based on our strategy of "Domino's is Everywhere, Sharing is Everything", the basketball court, which was renewed in line with its contemporary mission to prepare for the future through education, is a part of the approach that wholeheartedly believes that education is at the centre of everything.

It aims to encourage young people to train their minds and bodies with sports in the completely renovated basketball court. This project was important to both TEGV and Domino's, whose mission is to connect with society.

New Year's Eve was also meaningful for us. This year we strengthened our strong connection with our customers with our New Year's Eve project. We have tried to make dreams come true for children that are from disadvantaged parts of the country. We wanted to thank our customers, who made us proud this year with the Lovemark award, with a worthwhile New Year's gift.

As the most loved pizza store of Turkey, Domino's have renovated two Dreams Workshops that significantly contribute to the education of children in co-ordination with TEGV. Dreams Workshop is a project that aims to create an interest in the children towards art and makes an effort to educate the children on the basic concepts of art. The workshop aims to inform the children about different subjects, materials and methods without using templates that were prepared beforehand. Dreams Workshop also supports the core knowledge and ability of children by introducing well-known artists and artwork to them.

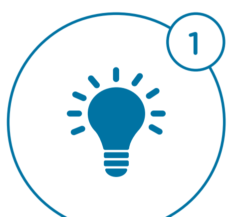
We also experienced the joy of renovating two Dreams Workshops in Diyarbakır and Siirt by supporting this significant project that brings imagination and creativity together, and shares the happiness of gifting this project to our customers.

Sustainability in action continued

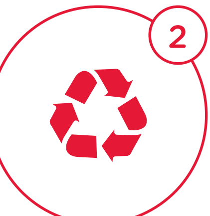
The Group's efforts and interest in sustainability continues to grow with new and existing projects and initiatives.

DP Eurasia's contribution to sustainability is driven by the Group's efforts and interest in initiating new projects, adapting our strategy to current regulations, and investing in future generations. Our aim is to strengthen and incorporate our sustainability strategy throughout all of our operations. The expectations of our stakeholders commands a greater focus on sustainability, and in business this is not an option, but an obligation. Alongside our stakeholders, the expectations and interests of companies are also aligned to sustainability concerns such as climate change and employee welfare. As the business starts to adopt sustainability as a core value, we empower and grow our strategy according to business demands and trends. This is not only a business requirement, but an issue of evolving global consciousness. Consequently, we are pleased to announce that 2022 has been a remarkable year for us in terms of complying with our business model from a sustainability perspective.

Our strategy and goals will be a driving success for the business and will create value for all our stakeholders. We are highly motivated to decrease our environmental impacts and will take continued actions to mitigate and adapt to the possible impacts of climate change through our Eurasia operations. On that account, we are lining up our reporting with an external framework that is promoted by the Sustainability Accounting Standards Board ("SASB") and the Task Force on Climate-Related Financial Disclosures ("TCFD"). This part of the report displays information on DP Eurasia's actions, assessments and related application towards aligning the recommendations of the TCFD, which is the first self-standing risk assessment in line with this framework.



Reducing the impact on climate change



Environmentally friendly packaging design and waste reduction

Providing food safety and high quality

Adopting responsible sourcing

By publishing this report, we aim to summarise the progress we have made by including climate change risks and opportunities into our overall business strategy. Our communications on this progress include the different geographic locations where DP Eurasia operations are conducted. Regarding the different dimensions of operations, some countries are taking the lead in building their understanding of climate risks and opportunities. We are glad to announce that we are not alone in this journey, since the Group's efforts and interest in sustainability continues to grow with the new and existing projects and initiatives. As a consequence, this report represents an important development which will enhance and expand our sustainability understanding towards our stakeholders.

DP Eurasia has committed itself to achieving net zero emissions by 2050. This part of the report discloses our first emissions assessments and targets according to our baseline year, which is 2021.

Task Force on Climate-related Financial Disclosures (“TCFD”)

The methodology of defining DP Eurasia’s focus on climate-related areas

For the first step of the study, both the global and local agenda, and sectoral best practice examples, were discussed in the analysis of sustainability trends and climate-related risks. Industry-specific materiality issues recommended by the Sustainability Accounting Standards Board (“SASB”) and the World Economic Forum’s global risk projections were reviewed in depth.

In the next step of the study, climate-related risk assessments and actions were discussed in the ESG meetings, where it was highlighted by the participation of the top Board members, Chairs of related committees, department leaders and operational managers.

In the respect of primary operational action plans, climate-related risks were determined. Annual actions and prioritised targets were evaluated and, by doing so, four main climate-related focus areas were decided upon by taking four different geographical operations of DP Eurasia. As previously reported, the risk assessment was decided regarding the operation size, dynamics and potential opportunities, and an annual target plan within the scope of environmental metrics was also established for DP Eurasia.

The four highlighted themes are being tracked by DP Eurasia’s Sustainability Committee. The committee has a leading role in connecting related activities and targets by aligning them with TCFD recommendations and managing the operation at a global level.

Task Force on Climate-related Financial Disclosures (“TCFD”)

Governance

DP Eurasia N.V. is a limited liability company incorporated under the laws of the Netherlands on 18 October 2016. The principal activity of DP Eurasia consists of acting as a holding company.

Given the importance of the TCFD recommendations, the entire Board has committed to taking further action in accordance with the climate-related risks and opportunities by combining them to net zero emissions targets. DP Eurasia strongly believes that good governance is the objective in achieving success and furthering sustainable development in the business. Embracing environmental, social and governance issues is about having good governance; therefore, DP Eurasia brings ESG topics to the forefront by aligning them with TCFD recommendations. Climate-related issues, risks and opportunities are elevated by the Board of Directors, and a management mechanism is initiated in order to respond to possible climate-related risks and opportunities. On the other hand, the Board of Directors needs to be ready for risks that our sector may, or will, face for the upcoming period. For that reason, not all climate-related risks and opportunities are managed by the Board, but relevant risks and opportunities are managed meticulously by the Board members.

Consequently, all climate risks, opportunities and trends are monitored and reviewed by associated working groups. Afterwards, the issues are elevated to Board level and appropriate actions and initiatives are taken accordingly.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

a) Describe the Board's oversight of climate-related actions, risks and opportunities.

The Group believes that the oversight of the climate-related risks, actions and opportunities will bring success in business and put DP Eurasia one step forward. Oversight of the environmental, social and governance issues is considered by Board members and meticulously detailed and analysed in order to take further steps. Identifying the climate-related risks and opportunities and contributing employee awareness in terms of expanding our ESG understanding through responsible citizen profile is already on the agenda for the Board of Directors. Stakeholders take the significant role to transform determined climate-related risks into opportunities in our operation.

The Board encloses the climate-related risks in terms of their possible effects that could cause business interruptions to Group operations.

The Board is working on updating its business continuity policies to be more prepared for the potential climate change impacts:

1. crisis management;
2. disaster recovery plans; and
3. business continuity management.

In 2022, considering geopolitical changes in Russia, the Group continues to assess its position there and evaluates several possibilities, including a potential divestment of our Russian operations. Furthermore, as a protection, the Company continues to limit investment in Russia and focuses on optimising existing store coverage. With the net closing of 31 locations and opening of two franchise stores in 2022, the number of Russian stores stood at 159 on 31 December 2022.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

b) Describe the management's role in assessing and managing climate-related risks and opportunities.

The Group established an ESG Committee in 2021 that consists of Board members and several working groups. Each working group under the ESG Committee deals with particular climate-related issues. Working group heads are assigned by the Board members, and leaders are selected from high-level executives in order to co-ordinate climate-related risks and actions.

In 2022, climate-related issues began to be discussed periodically with meetings initiated by the Board of Directors. These issues are followed by the responsible leaders of the relevant ESG Committee members. The tasks of the ESG Committee are:

1. evaluating risks and opportunities in environmental, social and governance areas and decreasing effects of climate-related risks in business;
2. to follow and analyse the sustainability issues related to the sector and focusing on the sustainable model of business by taking financial outcomes into consideration;
3. determining the Company's ESG strategy and updating it, when necessary;
4. operating the Group in line with sustainable roadmaps by including further climate-related actions into its business area;
5. carrying out projects to achieve the determined ESG targets;
6. to report the results obtained from all studies on ESG issues to the Board of Directors; and
7. working closely with the Audit Committee in order to track the Company's commitments and actions.

An ESG Committee meeting was held in the third quarter of 2022 and in the meeting we discussed:

- our roadmap Through ESG Transformation;
- ESG Standards, Frameworks and Examples;
- "E" goals from DP Eurasia 2022 ESG; and
- in the "S" and "G" headings of ESG, the targets with which we can track performance.

After the action plans were determined, the results and financial impacts were closely scrutinised by the members of the Board of Directors, consisting of the CEO, CFO, Investor Relations Director and Internal Audit Director.

In order to follow the climate-related strategy, Board members will be adding additional C-level KPIs for the upcoming years. Also, the following KPIs are being tracked at managerial level and above, and the ESG Committee is periodically reporting to Board level.

- **KPI #1: Scope 1 emissions** Responsible: Corporate Leader, Co & Supply Chain Leader, Administrative Affairs Leader, Franchise Leader.
- **KPI #2: Scope 2 emissions** Responsible: Corporate Leader, Co & Supply Chain Leader, Administrative Affairs Leader, Franchise Leader.
- **KPI #3: Amount of purchased renewable energy** Responsible: management team (in 2023 and beyond).

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

Based on the main operation points, transition and physical risks recommended by TCFD were mapped by matching the short, medium and long-term actions under the framework of four determined themes.

Regulatory transition risk: Policy and legal risks are defined under the umbrella of climate-related regulations that must be followed.

Market risk: Changes and unpredictability in the market increases the cost of raw materials and energy prices; this also changes the customers' consuming habits as climate change risks are considered in the scope of market.

Technology risk: Innovations in agricultural practices, operations and supply chains, and alternative technological solutions to delivery are identified as technology risk. Our evaluation is based on tracking green and clean technologies.

Reputation risk: Changes in client preferences, and adaptation to new sectoral changes, are considered as top priority risks related to reputation.

Also, the service quality and the feedback of consumers in line with our sustainable practices could be evaluated.

Acute risk: Due to extreme weather events or natural disasters, increases in insurance premiums and operational disruptions are defined as acute risks. Our evaluation generally comprehends the effects of possible extreme weather events on our supply chain and operations.

Chronic risk: Longer-term climate shifts can result in the deterioration in quality of raw materials. We are highly bound to wheat quality due to our core product, pizza.

Stores

- With a total of 99 Corporate and 601 franchise stores located in different countries, climate-related risk assessments are more likely to be related to local impacts, particularly for regulatory and physical risks.
- Our stores located in cold climate conditions are more sensitive to acute risks due to intense weather conditions. At the same time, the stores located at moderate climatic conditions are classified as more sensitive to chronic risks due to temperature rises. Both defined climate-related risks have been assessed.

Suppliers

- The sensitivity of our suppliers to acute physical events is similar to our stores in more fragile locations and predominantly non-resistant to weather shifts. The sensitivity to chronic physical events is greatest in Russia.
- Our risk assessments of suppliers are location based due to different geographical conditions that can result in different impacts and outcomes in our supply chain.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	The financial impact assessments for the selected risk scenarios have not been completed. Evaluations of the risks and relative material topics are being tracked by department leaders. Action plans against the selected risks are shared at the following parts. DP Eurasia is responsive to climate-related risks through identification of opportunities to mitigate the different location-based operations and adapt to climate-related risk factors. TCFD recommended categories for climate-related opportunities primarily include: • providing food safety and quality management; • ability to access new market trends; • pursuing lower emission goods and energy resources; and • pursuing enhanced resilience within the supply chain and material procurement. No financial impact has been encountered so far, but new alternatives and solutions are constantly sought to reduce or minimise these risks.
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Scenario analysis does not predict the future, but it does help to mitigate potential risks of climate change and make preparations for the future. Scenario analysis is a crucial tool for strategic planning, risk management and assessing the Group's strategic resilience. For the upcoming years, DP Eurasia commits itself to follow TCFD scenario analysis. The main goal will be towards cutting gas emissions generated by stores.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

TCFD climate-related risks

Focused themes	Transition risks				Physical risks		Time horizon	Progress from 2021 to 2022
Main climate-related risks and actions of DP Eurasia	Regulations	Market	Reputation	Technology	Acute	Chronic	(short, mid or long term)[1]	
Climate change								
Switching to electrical vehicles				●			Mid term	While there were only seven electric motors in 2021, there are currently 47 motors in 2022. There is a cost advantage of 100₺/month per engine. The test phase of the use of electric motorcycles and electric kick scooters has been started in certain branches.
Route optimisation				●			Short term	Our related works are continuing, and we will start to move in line with this target in 2023.
GPS project to track kms, fuel consumption				●			Short term	The iUGO GPS system was used to track orders, increase efficiency, and track mileage and gasoline more closely.
Partly switching to renewable energy resources			●		●	●	Mid term	Solar energy panels have been installed for the Co&Supply chain in İzmir in 2022, but it is planned to activate in 2023.
New warehouse installations at critic delivery points within the geography					●	●	Mid term	We intend to build new warehouses in the medium term. When purchasing a new warehouse, purchases will be made from optimum locations that allow for effective route design and are not affected by physical risks associated to climate change. In this regard, feasibility and environmental and social due diligence studies will be conducted in order to purchase the warehouse.
Energy efficient equipment range at the kitchens				●			Long term	An agreement was made with SADEIO company to control the make-line and walk-in temperatures in the branches, and to prevent excessive energy consumption. This system is centrally managed and sends notifications to the specified communication channels when there is a degree of non-conformity.
Adapting the climate-related regulations (Paris Agreement and Green Deal)	●						Long term	We are closely following the COP27 outputs. There is a relevant team that follows all newly formed legislation and policy changes regarding climate change. Compliance with all potential regulations will be ensured. We plan to be a part of the solution and lead the change.

(1) Short term: 0-2 years, Mid term: 2-12 years, Long term: 12+ years.

Task Force on Climate-related Financial Disclosures (“TCFD”) continued

Focused themes Main climate-related risks and actions of DP Eurasia	Transition risks				Physical risks		Time horizon (short, mid or long term)[1]	Progress from 2021 to 2022
	Regulations	Market	Reputation	Technology	Acute	Chronic		
Packing and waste								
Redesign of packaging (reduction in surface area of boxes, increase in the number of products per box)	●	●					Short term	The transition to the cutting-edged pizza box had a 0.5% m^2 reduction effect. However, in 2022, 250 million boxes were purchased with 1.2 million little box savings. In addition, 19 and 23cm paper plates were delisted, and 15cm plates were used instead.
Reducing the use of plastic cutlery		●					Short term	Removing knives from the service set to reduce the use of plastic is planned for 2023.
Digital menu application instead of paper based (QR)				●			Short term	Digital screens have started to be used in 252 of 650 shops, and printed menu boards have been left out of the system. All new shops are opened with the digital menu board concept. As the renovations of other shops are made, the transition to digital screens will be provided. Digital menus have been used in newly opened branches for a long time. This system is centrally managed, so the Company prevented printed menu board images and reduced paper usage. Removed QR-based prescriptions used in make-line branches, and the number of printed materials were reduced and QR-based applications started to be used.

(1) Short term: 0-2 years, Mid term: 2-12 years, Long term: 12+ years.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Focused themes Main climate-related risks and actions of DP Eurasia	Transition risks				Physical risks		Time horizon (short, mid or long term)[1]	Progress from 2021 to 2022
	Regulations	Market	Reputation	Technology	Acute	Chronic		
Food safety and quality								
Client voice (surveys for healthy product range and options)	●						Short term[2]	In the services we provide through third-party sales channels, customer satisfaction is always measured and improvement actions are taken.
30-minute delivery			●				Short term[2]	30-minute delivery guarantee continues.
Using food grade and recyclable materials (pizza papers) through craft		●	●				Mid term	Activities are planned to encourage our customers to recycle pizza boxes when ordering pizza from home. It will be implemented in the medium term. More saving was achieved by reducing the size of pizza boxes. The transition to the cutting-edged pizza box had a 0.5% m^2 reduction effect.
Understanding of "All from Oven"		●					Short term[2]	Our motto and strategy continues. After baking all our products, they are delivered straight to the consumer.

(1) Short term: 0-2 years, Mid term: 2-12 years, Long term: 12+ years.

(2) The time horizon is taken as short term. However, regarding risk assessment of the potential demand, actions have already been taken and started to be implemented at the operational level.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Focused themes Main climate-related risks and actions of DP Eurasia	Transition risks				Physical risks		Time horizon (short, mid or long term)[1]	Progress from 2021 to 2022
	Regulations	Market	Reputation	Technology	Acute	Chronic		
Responsible sourcing								
Localisation of raw material procurement (primarily wheat and corn)		●			●	●	Short term	From the beginning of 2022, we have been capable of getting corn locally. On the flour aspect, we still need to utilise strong wheat growth in the northern Black Sea region since the characteristics of the local wheat do not fulfil our standards for the flour we use for our seven-day shelf-life dough. Yet, we are still looking for methods to enhance the proportion of local wheat in our flour.
Enhancing the menu options regarding client preferences that also include performing R&D processes towards plant-based meat and vegan choices		●					Short term	Within the scope of the project, vegan sausage and vegan mozzarella R&D studies continue. In addition, our short-term goals include the development of vegan pizza.
Training farmers, suppliers and monitoring the agriculture within the sustainability framework					●	●	Mid term	Global and local examples on the subject are examined. In addition, development plans are being prepared.
Shelf-life management, preventing food waste and at the same time providing a high quality of service			●				Short term	It went from 24 in sole products to 32 in a box. The Company has examined the packaging enlargement studies in other products within the scope of productivity projects it is planned to implement this in the upcoming periods. To prevent waste, the "fifo system" is applied in the branches.
Dual sourcing (alternative suppliers)					●	●	Short term	A supplier risk assessment report is kept, and alternative supplier studies are continuously carried out.

(1) Short term: 0-2 years, Mid term: 2-12 years, Long term: 12+ years.

(2) The time horizon is taken as short term. However, regarding risk assessment of the potential demand, actions have already been taken and started to be implemented at the operational level.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Risk management

Climate-related risks and opportunities are managed, evaluated, and monitored by DP Eurasia risk management operations to formulate a comprehensive and effective climate-related strategy that covers DP Eurasia's four main climate-related focus areas. Climate-related risks are managed by the risk management team and filtered through our organisational and operational scope to identify and respond to risks which have a direct impact on our business/sector.

Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

a) Describe the organisation's processes for identifying and assessing climate-related risks.

The Group, and in particular the supply chain team and other relevant stakeholders, continuously try to identify and monitor principal and emerging risks, and implement mitigation actions to minimise or eliminate their potential impact.

Risks are categorised under four areas:

- **strategic risks:** the Group is willing to take a certain level of risk by assessing a risk/return approach when doing business;
- **operational risks:** the Group has a responsible approach to operational risk management. High quality products, customer satisfaction and continuity of production are the prioritised areas;
- **financial risks:** the Group continuously assesses its financial risks and seeks to minimise the potential impact; and
- **compliance risks:** compliance with laws and regulations is essential for the Group, which does not tolerate non-compliance with laws.

b) Describe the Company's processes for managing climate-related risks.

The identified risks are managed by using supply risk assessment methodology depending on the supply chain team. The corporate leadership team and newly established ESG Committee will be leading the further management progress.

The corporate leadership team has the following remit:

- designing and implementing an overall risk management process for the organisation, which includes an analysis of the financial impacts on the Company when risks occur;
- performing a risk assessment: analysing current risks and identifying potential risks that are affecting the Company;
- performing a risk evaluation: evaluating the Company's previous handling of risks, and comparing potential risks with criteria set out by the Company such as costs and legal requirement;
- establishing the level of risk the Company is willing to take;
- preparing risk management and insurance budgets;
- creating business continuity plans to limit risks;
- implementing health and safety measures, and purchasing insurance, including cyber security insurance;
- conducting policy and compliance audits, which will include liaising with internal and external auditors;
- maintaining records of insurance policies and claims;
- reviewing any new major contracts or internal business proposals; and
- building risk awareness amongst staff by providing support and training within the Company.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the Company's overall risk management.	The risks represent a snapshot of the Group's principal risks. The 2022 risk assessment has been managed through the potential climate change effects that may cause business interruption on DP Eurasia's operations. In 2022, current risk assessment was reviewed. Considering geopolitical changes in Russia, the Group continues to assess its position there, evaluating several possibilities, including a potential divestment of our Russian operations. Furthermore, as a protection, the Company continues to limit investment in Russia and focuses on optimising existing store coverage. With the closing of 29 locations in 2022, the number of Russian stores stood at 159 on 31 December 2022. The Company's risk management processes identify, prioritise and address a broad range of risks that can directly or indirectly impact the organisation in the short, medium and long term, and we tier risks accordingly. The Audit Committee and management monitor the risk management, effectiveness and timely implementation of the internal controls, and provide guidance for prioritisation and further improvement. A risk-based management approach and a continuous culture of improvement are integral to the Group's strategy and business management. The Group registers the principal risks to the risk inventory and regularly evaluates these risks. Within the DP Eurasia risk management framework, the DP Eurasia Risk Management and Control Framework is based on the "COSO 2017 Enterprise Risk Management – Integrated Framework", managing financial, operational and compliance risks to meet the business strategy. As a key element of a robust risk management and control framework, the internal audit functions are carried out independently by the DP Eurasia Internal Audit and Risk Management Directorate, which directly reports to the Audit Committee and has full access to all Group entities. The significant risk areas, audit issues and effectiveness of management action plans are periodically reported to the Audit Committee of DP Eurasia. The Audit Committee and management monitor the risk management, effectiveness and timely implementation of the internal controls and provide guidance for prioritisation and further improvement. The risks represent a snapshot of the Group's principal risks that lay the foundation for the Group's risk footprint. Moreover, the Group has ISO 22000, HACCP and, ISO 10002 standards and is carrying out its ISO audits according to these standards as well.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Within the TCFD framework the risks are determined as below.

TCFD risks	DP Eurasia's definition
Transition risks	
Policy and legal	Policy and legal risks are defined under the umbrella of new climate-related regulations such as the Climate Change Action Plan of Türkiye, Paris Agreement and Green Deal. Also, increased costs from fines and judgements are taken into consideration under policy and legal risks. At DP Eurasia, we are ready to take all preventive measures in order to mitigate risks. However, note that in Russia there are no obligatory regulations adopted; therefore, policy and legal risks will be evaluated for upcoming years.
Market	Market risks emerge from the unpredictability of the potential increase in costs (energy, raw materials, etc.) or changing customer preferences related with inadequate climate actions of the Company. DP Eurasia's approach focused on the competitor and sector analysis, and customer feedback about health and safety issues.
Technology	Technology risks are evaluated as more green or digital innovations in agricultural practices, and solutions regarding delivery or alternative options in the operations and supply chain.
Reputation	Reputational risks are described as related shifts in customer preferences due to insufficient fulfilment in climate requirements. DP Eurasia's evaluation focuses on adaptation to sectoral changes and feedback as well as waste management. It should be noted that in Russia's operations, recycled material usage is forbidden; therefore, waste management has a crucial risk assessment process for the product range.
Physical risks	
Acute	Acute driven risks include severe weather conditions and natural disasters that could harm the operation and supply chain. DP Eurasia's evaluation concentrates on operational disruption and increases in insurance premiums against such unexpected climate events. Particularly for the supply chain, such weather events could result in a shortage or interruption in the availability of certain food products or supplies (especially wheat-related agricultural practices).
Chronic	Chronic risks are evaluated as long-term climate risks that could cause operational disruption, a decrease in the raw material portfolio and product quality for agriculture in the supply chain.

Task Force on Climate-related Financial Disclosures (“TCFD”) continued

Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

a) Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management process.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (“GHG”) emissions, and the related risks.

c) Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets.

DP Eurasia has completed the step of collecting the most important environment metrics that are being tracked by Franchise, Corporate, Co & Supply Chain and General Management building.

The Company publicly discloses annual Scope 1, 2 and 3 GHG emissions data. For the upcoming reporting periods, the relevant KPIs have been determined for responsible leaders.

The KPIs that will be tracked are:

KPI #1: electricity consumption/number of pizzas
Responsible authority: corporate operation manager
Time horizon: short term
Target: reducing the amount of Scope 2 emissions

KPI #2: electricity consumption/number of pizzas
Responsible authority: franchise operation manager
Time horizon: mid term
Target: reducing the amount of Scope 3 emissions

KPI #3: electricity consumption/number of crates
Responsible authority: Co & Supply Chain Manager
Time horizon: short term
Target: 3% electricity consumption decrease in supply chain below 2021 level

KPI #4: electricity consumption/number of employees
Responsible authority: administrative affairs manager/unit
Time horizon: mid term
Target: reducing the amount of scope 2 emissions

GHG emission scope	2022 Value (tonCO_2e)
Gross direct (Scope 1)[1]	12,117
Gross indirect (Scope 2 – Location Based)[2]	10,432
Other indirect (Scope 3)[3]: Franchise (Buildings Scope 1 and Scope 2)	7,282

DP Eurasia is committed to the following climate-related targets in the mid term:

Commitments	Accomplishments in 2022
1. implement water usage standards in each store;	In progress.
2. by 2030, reduce Scope 1 and 2 GHG emissions generated by corporate stores and offices to 9% below 2019 levels in line with National Russian Standards;	Emission reduction activities have been carried out. There was a 7% reduction in total scope 1 emissions according to 2019 baseline. Scope 2 decreased by 17% compared to 2019 baseline. Scope 3 increased by 27% compared to 2019 baseline.
3. 3% electricity consumption decrease per crate in supply chain below 2021 level;	25% reduction has been recorded in total electricity consumption according to 2021 emission level and reduction activities have been carried out in our supply chain.
4. aspiration to reach net zero emissions by 2050;	In progress.
5. 4% decrease in water consumption per crate in supply chain below 2021 level;	7% reduction in water consumption has been achieved in our supply chain according to 2021 consumption and further reduction activities have tried to be implemented.
6. decrease natural gas consumption by 3% per crate below 2021 level; and	11% reduction in total natural gas consumption in 2022 has been reported.
7. developing energy efficient projects for upcoming periods in terms of energy saving and offsetting our carbon footprint.	New energy efficient projects are tried to be adopted and planned for upcoming periods.

The given KPIs will be periodically reviewed under the internal and external circumstances. The relevant data and given targets will be updated at least every five years, if necessary.

(1) Scope 1 consists of direct GHG emissions from sources that are owned or controlled by DP Eurasia.

(2) Scope 2 relates to indirect emissions resulting from the generation of electricity, heat or steam purchased by DP Eurasia. Scope 2 emissions have been recalculated according to IEA location-based electricity values. Accordingly, 2021 Scope 2 emissions have been calculated as 12,680 tonCO_2e. The decrease in Scope 2 emission value is due to the decrease in electricity consumption.

(3) Scope 3 relates to indirect emissions from sources not owned or directly controlled by DP Eurasia but related to the Company’s activities, such as franchisee and supplier operation. Note that only related consumptions of franchise stores are covered under the Scope 3 emissions.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

DP Eurasia environmental metrics

DP Eurasia also publicly discloses the metrics used to assess and manage relevant climate-related risks and opportunities. Annual Scope 1, 2 and 3 GHG emissions data within the Annual Report has been reported below. The relevant data reporting is being tracked monthly and reporting has been attached in the "Appendix" section.

The following represents the last three years' values:

Total energy consumption

DP Eurasia	Unit	2020	2021	2022
Scope 1				
Natural gas	m^3	788,849	765,188	**688,577**
LPG	litres	—	—	
Generator fuel – gasoline	litres	1,725	1,530	**1,362**
R404a	kg	543	473	**785**
CO_2	kg	191	207	**216**
FM200	kg	20.00	—	**180**
Transportation – gasoline	litres	1,313,603	1,283,912	**659,446**
Transportation – diesel	litres	1,834,006	2,165,137	**2,197,753**
Electricity used for electric vehicles	kWh	—	1,021	**7,961**
Scope 2				
Purchased electricity	kWh	28,817,438	28,710,768	**23,041,503**
Centralised hot water	Gcal	3,274	3,096	**2,207**
Scope 3				
Franchisees (Buildings Scope 1 and 2)				
Natural gas	m^3	2,390,966	2,879,793	**3,214,917**
Centralised hot water	Gcal	1,793	1,404	**2,106**
LPG	litres	3,240	3,240	**3,617**
Generator fuel – gasoline	litres	6,255	7,080	**7,904**
R404a	kg	334	378	**422**
CO_2	kg	626	708	**790**
Purchased electricity	kWh	30,826,856	36,095,991	**41,086,382**
Transportation (leased cars) – petrol	litres	1,436,471	1,625,933	**1,815,144**
Transportation (leased cars) – diesel	litres	—	—	**0**
Electricity used for electric vehicles (leased)	litres	—	13,500	**13,500**

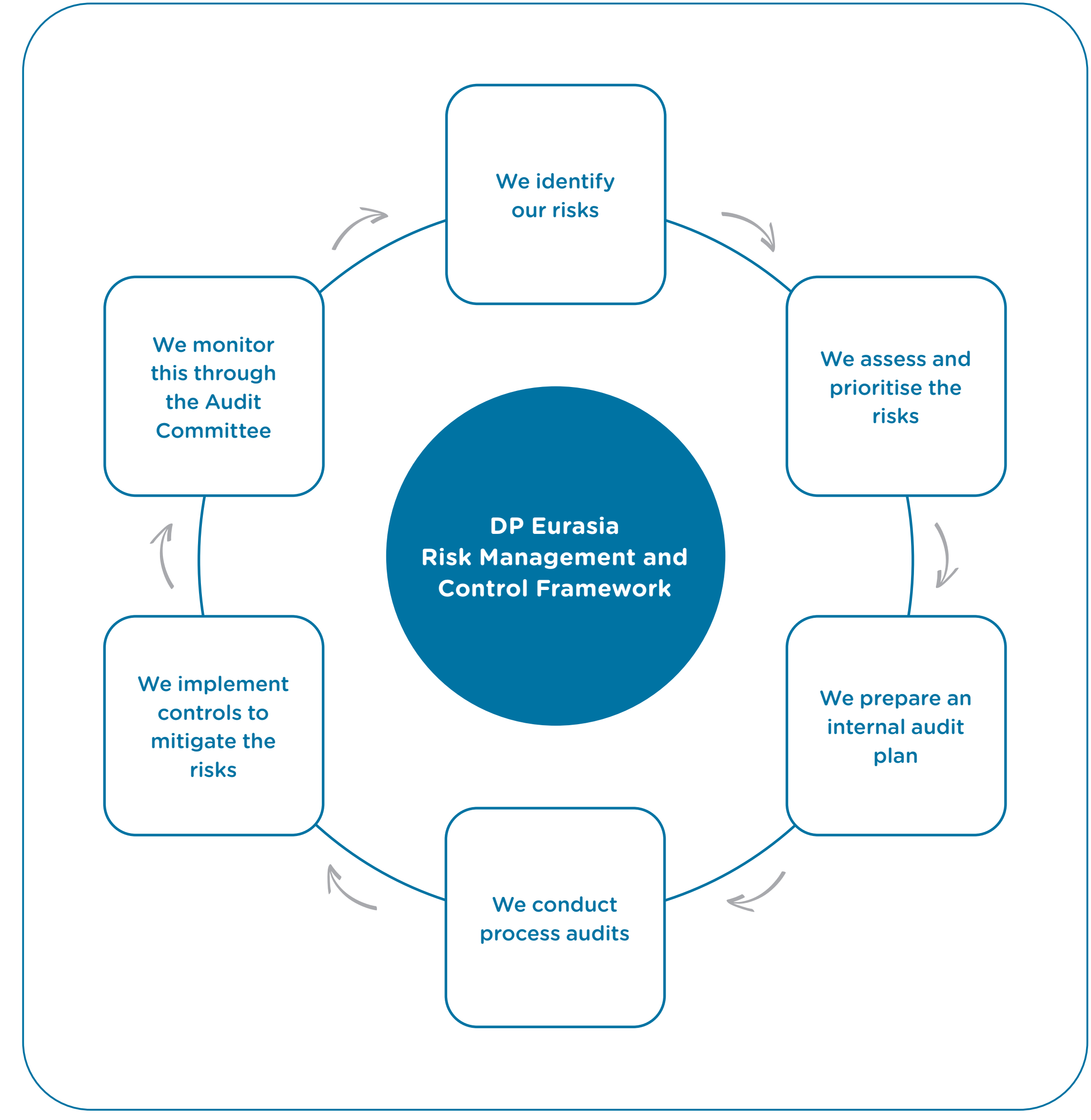
Risk management

The Audit Committee and management monitor the risk management, effectiveness and timely implementation of the internal controls and provide guidance for prioritisation and further improvement.

How we manage risk

The Board, Audit Committee and management continued to monitor risks and implement internal controls to mitigate risks throughout the year. A risk-based management approach and a continuous culture of improvement are integral to the Group's strategy and business management. The Group registers the principal risks to the risk inventory and regularly evaluates these risks.

The DP Eurasia Risk Management and Control Framework is based on the "COSO Enterprise Risk Management – Integrated Framework", managing financial, operational and compliance risks to meet the business strategy.



Risk management continued

As a key element of a robust risk management and control framework, the internal audit functions are carried out independently by the DP Eurasia Internal Audit and Risk Management Directorate ("Internal Audit"), which directly reports to the Audit Committee and has full access to all Group entities. Internal Audit provides reasonable assurance to the Audit Committee and the Board on the design and effectiveness of the business processes and internal controls.

The significant risk areas, audit issues and effectiveness of management action plans are periodically reported to the Audit Committee.

The Audit Committee and management monitor the risk management, effectiveness and timely implementation of the internal controls and provide guidance for prioritisation and further improvement.

Corporate governance and ethics culture

The Group continues to develop its corporate governance by implementing awareness programmes, conducting training and standardising business processes. The Group's values, "doing the right thing" principle and "tone at the top as well as in the middle" approach are key drivers of the corporate governance strategy.

The Code of Ethics and Business Conduct Policy, Anti-Corruption and Anti-Bribery Policy and Whistleblower Policy are the key elements of the Group's corporate governance framework. As clearly highlighted in the policies, the Group respects and promotes human rights in all the cultural, socioeconomic, and geographic contexts in which it operates, respecting the traditions and cultures of, and providing support for, local communities in accordance with specific interests in each region.

Also, the Group prohibits any situation involving or pertaining to child or forced labour. Our employees as well as our business partners and suppliers are required to comply with the corporate governance policies.

All incidents of actual or suspected integrity-related cases reported through the hotline or other resources are promptly and thoroughly investigated. In 2022, we have received, investigated and reported 289 cases. To the best of our knowledge, we had no cases of fraud, bribery or corruption which would have a significant impact on our business.

Although we are occasionally confronted with less desirable behaviour, we consider the Code of Ethics and Business Conduct Policy, the Anti-Corruption and Anti-Bribery Policy and the Whistleblower Policy to be effective. We aim to address such less desirable behaviour effectively, appropriately and securely, for instance by ensuring new or revised policies and procedures are put into place to mitigate such occurrences in the future.

Personal data protection

The Group has established policies regarding personal data protection law in accordance with the applicable legislation of the related countries where it operates. These policies explain the principles of personal data management in line with security and processing measures.

The Group closely follows the regulative requirements and takes technical and administrative actions defined in the legislations accordingly. Penetration tests, class trainings and e-learning classes are conducted in order to increase employee awareness on the personal data protection law requirements.

Risk management continued

The Group's risk assessment

In 2022, no major failings in the risk management and control systems were identified. The Group will continue to identify and monitor principal and emerging risks and implement mitigation actions to minimise or eliminate their potential impact.

The Group categorises risks into four types:

1. Strategic risks
The Group is willing to take a certain level of risk by assessing a risk/return approach when doing business.

2. Operational risks
The Group has a responsible approach to operational risk management. High quality products, customer satisfaction and continuity to production are the prioritised areas.

3. Financial risks
The Group continuously assesses its financial risks and seeks to minimise the potential impact.

4. Compliance risks
Compliance with laws and regulations is essential for the Group, which does not tolerate non-compliance with laws.

The risks represent a snapshot of the Group's principal risks.

Risk appetite

Our risk appetite is defined by our Board, Audit Committee and Executive Team members and is integrated into the businesses through our strategy, policies, procedures, controls and budgets. Our appetite for each risk is determined by considering key opportunities and potential threats to achieving our strategic objectives and can be categorised as follows:

Strategic risks

These originate from trends, developments or events that could prevent us from executing and realising our strategic objectives.

Risk appetite: **Medium**

DP Eurasia has a diverse geographic footprint and business structure. Because of this, it is critically important that we manage risks in a proactive and responsible way to ensure we can deliver on our strategy. We use fact-based analysis that derives insights from our different markets and brands to support our strategic decision-making process in a way that considers the financial, economic, social and political developments that may impact our ability to achieve our strategic objectives.

Operational risks

These include unforeseen incidents that could result from failures in internal processes or systems, human error or adverse external events and could negatively impact the day-to-day operation of our business.

Risk appetite: **Medium**

We strive to minimise the possibility of business disruptions and the related impact of operational failures.

We establish and manage a Governance, Risk, Management and Compliance ("GRC") framework with policies, procedures and standards that regulate the achievement of our objectives. We constantly review and invest in our structure and processes to ensure they are fit for purpose and address any identified operational risk.

Financial risks

These include uncertainty of financial returns on investments, reduction in liquidity, erosion of profits, potential financial losses due to financing policies, and other external factors such as the macroeconomic environment, unreliability of suppliers, economic restrictions, and reduction of customer base.

Risk appetite: **Medium**

We are averse to any risks that could jeopardise the integrity of our financial reporting.

Compliance risks

These relate to unanticipated failures to comply with applicable laws and regulations as well as our own policies and procedures.

Risk appetite: **Medium**

At DP Eurasia, our values are an essential part of our strategic framework. "Integrity" is one of our key values. We strive for full compliance with laws and regulations and with our policies and procedures everywhere we do business. The GRC framework incorporates risk assessment, control activities and monitoring into our business practices at entity-wide and functional levels. We have adopted a "three lines of defence" model to provide reasonable assurance that risks to achieving important objectives are identified and mitigated.

Risk management continued

Strategic risks

1 Business dependency on Master Franchise Agreements (“MFAs”)

Potential impact
High

Likelihood
Low

Ownership
DPE CEO, DPT CEO, DPR CEO

Change from 2021

Group risk

- Expiration or termination of an MFA due to a breach of the agreement or store franchise agreements may affect the Group’s business operationally and financially.

Mitigation

- The Group has strong relations with Domino’s Pizza International.
- Since the Group’s ability to renew the MFAs is dependent upon the good standing of the Group with respect to its contractual relationships with the Master Franchisors (including under the store franchise agreements) and its ability to agree a revised development plan in the relevant country, the KPIs (e.g. store openings, royalty performance etc.) are monitored very closely by management and the Board, and required actions are taken in order to mitigate the risks.

2 Operations and growth strategy dependency on the success of the sub-franchisees

Potential impact
Medium

Likelihood
Low

Ownership
DPT Lead Team, DPR Lead Team

Change from 2021

Group risk

- The Group is reliant on the performance of sub-franchisees in successfully opening and operating franchised stores and paying for supplies, royalties and other fees to the Group on a timely basis.
- Franchise system risks are failure of sub-franchisees to make payments to the Group, sub-franchisee independence that may result in conflicts with Group standards or financial performance issues going undetected, non-renewal of a store franchise agreement with sub-franchisees, etc.

Mitigation

- The Group spends significant efforts on pricing strategies to increase profitability of the franchised stores.
- The franchised stores’ financial and operating performance is continually monitored.
- The payment performance of the stores is monitored by management and remediation actions are taken to boost the low-performing stores.
- Stores are regularly audited to prevent or detect any financial, operational or compliance risks.
- Domino’s Pizza International and the Group is conducting Food Safety Evaluation Audits in the stores to monitor compliance.
- The Group has increased the marketing, advertisement and consultancy support on the existing sub-franchisees to ensure strong business management, profit and loss management and cash flow.

Risk management continued

Strategic risks

3 Growth strategy dependency on opening profitable new system stores

Potential impact
Medium

Likelihood
Low

Ownership
DPT Lead Team, DPR Lead Team

Change from 2021

Group risk

- Failure to identify key geographical areas to open stores may result in failure to meet future expectations.
- Market saturation may become significant in the future and could adversely affect system store sales growth.

Mitigation

- The Group spends significant efforts on obtaining and training sub-franchisees and personnel, creating customer awareness by advertising and marketing activities.
- The Group continuously monitors the pipeline of proposed store openings in terms of strategic location and profitability.
- Franchisee development programmes are continuously improving to support the franchised stores.
- The Group works on improving the premise assessment and rental process.

Risk management continued

Strategic risks

The Group’s dependency on infrastructure and internal systems to support the Group’s planned growth and strategy: Digitalisation, disruptive technology and other innovation

Potential impact
High

Likelihood
Low

Ownership
DPE Marketing & IT Directors

Change from 2021

Group risk

- Failure to enhance the Group’s existing internal systems and controls, distribution and delivery networks and information technology systems may adversely affect the planned expansion.
- Failure to locate, hire, train and retain management and operating personnel may result in not responding in a timely basis to the changing demands of the Group, operating the existing business less effectively.

Mitigation

- The Group has launched the data lake project providing profound data analysis for a better understanding of customer behaviour and proactive approach.
- The Group is continuously developing its information technology (“IT”) architecture to strengthen the system’s capacity and ensure business continuity.
- The Group periodically monitors its IT restructuring needs in order to serve the rapidly changing challenges of the digital world.
- The IT team continuously analyses the system security requirements, planning and taking actions accordingly.
- The increase of the Group’s online presence in different channels, and better customer experience on online ordering platforms, distinctly improves access to consumers and penetration.
- The Group is strengthening and improving its online platform technology in order to serve increasing consumer demands and follow technological and innovative changes.
- The desktop and mobile web platforms run at the Microsoft Azure Cloud environment which provides security, scalability, availability and performance, and consequently serves growth.
- The DP Eurasia Internal Audit and Risk Management Directorate conducts business process audits, performs risk assessments and evaluates design and effectiveness of the process controls. They monitor the remediation actions in terms of preventive/detective and manual/system controls and provide consultancy services to standardise the processes in order to mitigate the risks. Additionally, IT General Control Audits are periodically conducted to define the improvement areas and follow up management action implementation to mitigate the risks.
- The Group moves the manual processes into the Workflow and Document Management Platform which will enable business process standardisation, preventive and detective control implementation to the business processes and significant risk mitigation. Business processes to be implemented to this platform are subject to risk-based prioritisation and best practice benchmarks.
- As part of the system security actions, ERP System Access Rights are reviewed periodically.

Risk management continued

Strategic risks

5 Reliance on successful marketing initiatives

Potential impact
Medium

Likelihood
Low

Ownership
DPE Marketing Directors

Change from 2021

Group risk
- Failure to succeed in marketing initiatives may result in not generating higher sales.
- The Group's spending of significant time and resources in product innovation, advertising campaigns and store designs and refurbishments may not generate increased sales or profits.

Mitigation
- The Group has an agile and responsive working model as a retailer.
- Closely monitoring its competitors and adopting best practice benchmarks enables the Group to implement new opportunities quickly and maximise the benefit from the marketing and product innovation efforts.
- The Group continuously works on new product innovation projects and performs pilot tests to enhance and expand the product portfolio, consequently serving sales increase.
- The Group enhances the pricing methodology to meet customer needs and expectations with a layered and sound model including big data analysis.
- The Group works on restructuring and enhancing new product development and product enhancement processes to ensure agility, instant responsiveness and a wide variety.
- The Group is enhancing its product trial assessment processes to accelerate the success criteria assessment and subsequent selection decisions.
- The Group provides sufficient resources for the marketing and advertisement activities and new product development to implement proactive actions as well as meet the customer expectations.

Risk management continued

Strategic risks

6 Climate change

Potential impact
Medium

Likelihood
Medium

Ownership
ESG Committee

Change from 2021

Group risk
- Climate change effects may cause business interruption on the Group's operations.

Mitigation
- The Group is working on updating its business continuity policies in order to be more prepared for the potential climate change impacts:
  - crisis management;
  - disaster recovery plan; and
  - business continuity management.
- A new ESG Committee was established to monitor climate change related risks and KPIs. A roadmap is instituted to follow the TCFD requirements.

Risk management continued

Strategic risks

7 The Domino's Pizza brand and the Group's reputation are critical to its business and success

Potential impact
Medium

Likelihood
Medium

Ownership
DPE Lead Team

Change from 2021

Group risk
- The Group's business could be negatively affected if brand or reputation is harmed.
- Any negative incident that affects consumer loyalty to the brand could significantly reduce its value and damage the Group's business, such as:
  - food safety concerns, including food tampering or contamination;
  - incidents of food-borne illness;
  - the quality of ingredients and food products;
  - employee or customer injury, including driver accidents causing serious injury; and/or
  - employment-related claims relating to alleged employment discrimination, wage and hour violations, labour standards or healthcare and benefit issues.

Mitigation
- The Group conducts random audits in stores and on the supplier sites, monitors the results and takes the required actions.
- Stores are regularly audited to prevent or detect any financial, operational or compliance risks (food safety audits, operational evaluation reviews, store audits, mystery shopper audits, etc.).
- Domino's Pizza International and the Group have started to conduct Food Safety Evaluation Audits in stores to monitor compliance with standards.
- Commissaries are audited annually by Domino's Pizza International in terms of quality, food safety and occupational health and safety.
- In Russia, the Moscow commissary and stores are certified to HACCP (Hazard Analysis and Critical Control Point). HACCP is an internationally recognised system for reducing the risk of safety hazards in food.
- In Turkey, the four commissaries are certified to ISO 22000. ISO 22000 is a food safety management system.
- The Group monitors health and safety compliance requirements in its corporate stores and premises and takes preventive and detective actions accordingly.

Risk management continued

Strategic risks

8 Competition from other pizza chains and fast-food restaurant chains may adversely affect the Group's business

Potential impact
Medium

Likelihood
Medium

Ownership
DPE Lead Team

Change from 2021

Group risk

- Increased presence and competition from aggregators (which provide a food ordering and delivery platform by offering access to multiple delivery restaurants through a single online portal) supplying food ordering platforms could lead to an increased level of competition for the Group, as they improve access to delivery food options for consumers.

Mitigation

- The Group closely monitors its competitors and markets to prioritise significant challenges and focuses on increasing the positive impact of its marketing, product innovation, online channels and suitable store location efforts accordingly.
- The increase in the Group's online presence in different channels and better customer experience on online ordering platforms distinctly improve access to consumers and penetration.
- The Group has launched a comprehensive price policy restructuring project to enhance and implement pricing methodology depending on different factors.
- Regular price perception research is conducted to analyse consumer behaviour.
- Regular competitor price analyses are conducted and monitored closely to take related actions.

9 Changes in consumer preferences

Potential impact
Medium

Likelihood
Medium low

Ownership
DPE Marketing Directors

Change from 2021

Group risk

- The fast-food restaurant market is affected by consumer preferences and perceptions, and changes in these preferences and perceptions may reduce the demand for the Group's products.
- Consumers' expectations and health consciousness is increasing, which may require the Group to adopt changes to products.
- New generation consumers' expectations are becoming more challenging.

Mitigation

- The Group works consistently on enhancing and diversifying the products and menu in order to meet customer preferences.
- Qualitative and quantitative marketing tests are frequently used for analysis.
- The Group works on restructuring and enhancing the new product development and product enhancement processes to ensure agility, instant responsiveness and wide variety.
- The Group is enhancing the product trial assessment process to speed up the success criteria assessment and replacement decisions.
- The Group is working on different projects to meet changing customer demands such as expanding online payment options, contactless delivery, wallet, pizza tracker and faster delivery opportunities etc.

Risk management continued

Strategic risks

10 The Domino's Pizza brand and the Group's reputation are critical to its business and success

Potential impact
Low

Likelihood
Medium low

Ownership
DPE HR Directors

Change from 2021

Group risk
- The Group's successful implementation of its strategy is dependent on its ability to recruit, retain and motivate high quality senior management and other personnel with extensive knowledge in the fast-food restaurant industry.
- The loss of the services of any of the Group's senior managers could have a material adverse effect on its business plans, product development, growth strategy, marketing and other plans.

Mitigation
- The Selection and Appointment Committee draws up a plan for the succession of Directors and senior managers, makes proposals for appointments and reappointments and supervises the policy of the Board regarding the selection criteria and appointment procedures for Directors and senior managers to improve employee retention and mitigate the risk of losing services of the Directors and/or senior managers during the year.
- People Review Committee is held monthly to discuss people practices of the Group concentrating on vacant managerial roles, new manager onboarding, critical role successors and promotions. Committee follows actions regularly.
- HR monitors the job market with consultancy companies to analyse market conditions in remuneration, to follow talent movements and changes in senior roles in relevant industries. HR uses this information in reviewing current conditions during the year.
- Every Head and Manager in the organisation has a specific target about people management and succession planning in their individual scorecards.
- A new and structured model of Talent Management will be deployed in the organisation in 2023.

Risk management continued

Strategic risks

11 Macroeconomic and political developments

Potential impact
Medium

Likelihood
High

Ownership
DPE Lead Team

Change from 2021

Group risk

- Macroeconomic and political developments in the world and in Turkey, Russia and the other jurisdictions in which the Group operates may negatively affect the Group's business, results of operations, financial condition, cash flows and prospects.
- The Group's operations are located in Turkey, Russia, Azerbaijan and Georgia, which are generally categorised as emerging markets. Emerging markets are generally subject to greater risk of being perceived negatively by investors based upon external events than more developed markets, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment of the jurisdictions in which the Group operates.
- Financial or political turmoil in one emerging market country tends to adversely affect prices in credit, equity and foreign exchange markets in other emerging market countries, as investors move their money to more stable and developed markets.

Mitigation

- Macroeconomic and political changes are closely monitored by the Group in order to mitigate or eliminate the potential effects by implementing business continuity planning and crisis management and incorporating those risks into the Group's business strategies.
- Regarding the geopolitical developments in Russia, the Group continues to evaluate its presence in Russia, considering various options which may include a divestment of its Russian operations. Whilst work on a potential transaction is ongoing, there can be no certainty as to the outcome. In the meantime, as a mitigation, the Group continues to limit investment in Russia and remains focused on optimising the existing store coverage. Following the closure of 29 stores over the course of 2022, the number of Russian stores stood at 159 as of 31 December 2022.

Risk management continued

Operational risks

1 Reliance on third-party suppliers

Potential impact
Medium

Likelihood
Low

Ownership
DPE Supply Chain Directors

Change from 2021

Group risk

- Reliance on third-party suppliers and service providers may result in shortages or interruptions in the supply of raw materials, ingredients or complementary products.
- The Group's and its sub-franchisees' business is dependent on frequent deliveries from third-party suppliers of raw materials, ingredients and complementary products that meet the Group's specifications. Suppliers may fail to provide necessary products on a timely basis or to the agreed upon standard, may discontinue or limit their products or may seek to charge the Group higher prices.
- Shortages or interruptions from suppliers may be caused by unanticipated demand, problems in production or distribution, inclement weather or other conditions.

Mitigation

- The Group continuously seeks alternative suppliers for critical materials and services to prevent any material shortages in case of a disruption in our principal suppliers' operations.
- The Group also has emergency plans in place in the event of a disruption of operations at our commissaries or suppliers.
- Supplier audits are periodically performed in order to monitor supplier performance and compliance.
- Supplier evaluation is performed periodically to monitor the supplier performance as per the risk criteria and take the required actions.
- The Group assesses suppliers' business continuity plans to strengthen the contingency plans.

Risk management continued

Financial risks

1 Increase in food cost and other supplies

Potential impact
Medium

Likelihood
High

Ownership
DPE Supply Chain Directors and CFO

Change from 2021

Group risk
Increased costs of food and other supplies could decrease the Group's operating margins or cause the Group to limit or otherwise modify its product variety.

- The Group's profitability depends in part on its ability to manage changes in the price and availability of food (including dairy, meat, poultry and flour) and other commodities such as cardboard. Prices may be affected by market movements, seasonality, increased competition, the general risk of inflation, shortages or interruptions in supply due to the weather, disease or other conditions beyond the Group's control.
- These events, combined with other more general economic and demographic conditions, could impact the Group's pricing and negatively affect the Group's system sales, the Group's commissary sales and operating margins.

Mitigation
The Group continuously looks for ways to partially offset inflation and other changes in the costs of core raw materials by:

- applying efficient purchasing practices;
- productivity improvements;
- greater economies of scale; and
- gradually increasing certain product prices.

Risk management continued

Financial risks

2 Exchange rate fluctuations and cash flow management

Potential impact
Low

Likelihood
Medium

Ownership
DPE CFO

Change from 2021

Group risk

Exchange rate fluctuations could have an adverse effect on the Group.

- The Group's financial condition and results of operations have been, and will continue to be, affected by changes in the value of the Turkish Lira (the Group's presentation currency) against the Russian Rouble or Euro, and between the Euro and the Russian Rouble, because a portion of the Group's revenue and costs is linked to these currencies.
- Cash flow risk and not meeting the debt covenant may adversely affect the business.

Mitigation

- The Group mitigates this risk by agreeing fixed exchange rates with its suppliers, wherever possible.
- The Group controls exposure to the exchange rate fluctuations by minimising the foreign currency nominated borrowing.
- The Group's bank loans consist of TRY and RUB currencies (related to the country's local currency) in order to eliminate hard currency risk.

The Group currently utilises internal cash flow and bank borrowings in Turkey and Russia for its financing needs. The Group has debt covenants with respect to its bank borrowings in Russia. The Group's strong liquidity position enables it to prepay its bank borrowings in Russia, despite the recent devaluation of TRY, if required, and still maintain a strong liquidity position.

Risk management continued

Compliance risks

1 Risk of litigation from customers, sub-franchisees, employees and others in the ordinary course of business

Potential impact
Medium

Likelihood
Low

Ownership
DPE HR Directors and Operations Directors

Change from 2021

Group risk
- Risk of litigation from customers, sub-franchisees, employees and others in the ordinary course of business, which diverts financial and management resources.
- Claims of illness or injury relating to food quality or food handling are common in the food service industry. In addition, class action lawsuits have been filed, and may continue to be filed, against various fast-food restaurants alleging, among other things, that fast-food restaurants have engaged in deceptive advertising, sales and promotions which encourage obesity.
- Further, the Group may be subject to employee, sub-franchisee and other claims in the future based on, among other things, discrimination, harassment, wrongful termination, wages and overtime compensation as well as rest break and meal break issues. Such claims and disputes may divert management resources, create adverse publicity and could lead to an adverse judgement against the Group, which could adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.

Mitigation
- Stores are regularly audited to prevent or detect any financial, operational or compliance risks (food safety audits, operational evaluation reviews, store audits, mystery shopper audits, etc.).
- Employees are regularly trained on the Group Code of Conduct, corporate governance policies, changing laws and regulations as needed to increase awareness.
- The legal and regulative requirements based on changing laws and regulations are reflected in the contracts via additional protocols to prevent any disputes.
- The supplier Code of Conduct is shared with all suppliers as part of the contract to ensure compliance and increase awareness.
- The Group has an independent hotline enabling internal and external parties to report Code of Conduct conflicts such as potential monetary frauds, quality concerns, wrongful termination, wages issues, etc. The cases are investigated by the Internal Audit and Risk Management Directorate and preventive/detective actions are taken in order to enhance business processes and prevent repetition of these cases.
- Both Turkey and Russia have in-house lawyers on top of an external law firm to work closely with business units and mitigate litigation cases.

Risk management continued

Compliance risks

2 Violation of data protection laws

Potential impact
High

Likelihood
Medium

Ownership
DPE IT Director

Change from 2021

Group risk

Violations of data protection laws carry fines and expose the Group and its employees to criminal sanctions and civil suits.

- Non-compliance with data protection laws could expose the Group to regulatory investigations, which could result in fines and penalties.
- Regulators may issue orders to stop processing personal data in addition to imposing fines, which could disrupt operations.
- The Group could be subject to litigation from persons or corporations allegedly affected by data protection violations.
- Any violation of these laws could harm the Group's reputation, which could have a material adverse effect on the Group's earnings, cash flows and financial condition.

Mitigation

- The Group periodically reviews data protection law compliance with internal and external support and takes required actions as needed.
- Personal data protection law compliance audits are conducted periodically.
- System security requirements regarding data protection laws are continuously assessed by the IT team to take the required measures.

3 Violation of changing regulations

Potential impact
Medium

Likelihood
Low

Ownership
DPE CFO

Change from 2021

Group risk

- Regulatory changes (e.g. personal data protection law, quality regulations, product regulations etc.) are affecting the business processes and non-compliance may result in penalties and reputation risk.

Mitigation

- The Group is closely monitoring the changes in regulatory requirements and taking necessary measures in order to ensure compliance.
- Online or class training is conducted for our employees to increase awareness and ensure compliance related to new regulations or laws.
- Consultancy services are received from third parties with expertise related to regulatory or legal changes.

Risk management continued

Compliance risks

4 Risk of litigation from customers, sub-franchisees, employees and others in the ordinary course of business

Potential impact
High

Likelihood
Medium

Ownership
DPE IT Director

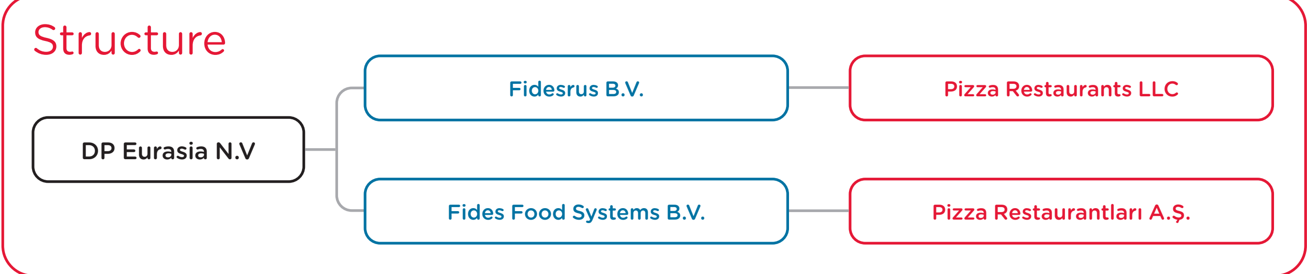
Change from 2021

Group risk
- The Group is heavily reliant, as part of its online strategy, on information systems, including for online ordering platforms, point of sale processing in its system stores, management of its supply chain, accounting, payment of obligations, collection of cash, processing of credit and debit card transactions and other processes and procedures.
- Breaches of the Group's cybersecurity measures could result in unauthorised access to the Group's systems, misappropriation of information or data, including personal information, deletion or modification of user information, or a denial-of-service or other interruption to the Group's business operations.
- As techniques used to obtain unauthorised access to, or sabotage, systems change frequently and may not be known until launched against the Group or the Group's third-party service providers, the Group may be unable to anticipate, or implement adequate measures to protect against these attacks.

Mitigation
- The Group is continuously developing the information technology ("IT") architecture to strengthen the system capacity and ensure business continuity.
- The IT team continuously analyses the system security requirements, plans and takes action accordingly.
- A data leak prevention system is used for prevention and detection of data leaks in enterprise business applications.
- A data classification is in place, to create the data inventory and ensure stronger data management and protection with preventive and detective actions.
- IT General Control Audits are periodically conducted to define the improvement areas and follow up management action implementation to mitigate the risks.
- As part of the system security actions, ERP System Access Rights are reviewed periodically.
- The Group has significantly increased system security investment to provide a safer IT environment for employees and customers. Moreover, the IT security team has expanded to meet the rapidly changing needs of technology.
- The security projects are monitored closely by management to ensure effective implementation and to prevent or mitigate potential risks.
- DP Eurasia is committed to the highest standards of accountability and transparency, and the Group proactively works to ensure the safety and security of its customers and networks in an evolving landscape of online threats. Its investment in cyber security related issues allows the IT security team to continue to take significant steps to enhance the security where payment card and bank data are not kept in DP Eurasia's database, which means in case of such a cyber attack there is no risk for payment card and bank data to be stolen.

Group structure

DP Eurasia is committed to conducting all of its business and relationships with dedication, professionalism and integrity. The business ethics of the Group are based on compliance with criteria which promote the values, culture and management model of DP Eurasia, encouraging respect for individuals and their rights.



Group and subsidiaries

The Group's organisation and nature of activities

DP Eurasia N.V. is a limited liability company (naamloze vennootschap) incorporated under the laws of the Netherlands on 18 October 2016. The principal activity of DP Eurasia consists of acting as a holding company.

DP Eurasia operates corporate stores and franchise stores in Turkey and Russia, including provision of technical support, control and consultancy services to the franchisees.

As of 31 December 2022, the Group operated 830 stores (655 in Turkey, 159 in Russia, ten in Azerbaijan and six in Georgia) through its owned corporate stores (18%) and franchised stores (82%). In addition to its pizza delivery business, the Group also has its own coffee brand, COFFY, which trades from 29 stores at period-end, 19 of which are franchised.

Subsidiaries

DP Eurasia has a total of four fully owned subsidiaries. The entities included in the scope of the consolidated financial information and nature of their business are as follows:

Subsidiaries	2022 effective ownership (%)	2021 effective ownership (%)	Registered country	Nature of business
Pizza Restaurantları A.Ş. ("Domino's Turkey")	**100**	100	Turkey	Food delivery
Pizza Restaurants LLC ("Domino's Russia")	**100**	100	Russia	Food delivery
Fidesrus B.V. ("Fidesrus")	**100**	100	The Netherlands	Investment company
Fides Food Systems B.V. ("Fides Food")	**100**	100	The Netherlands	Investment company

Corporate governance

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Board

Peter Williams
Chairman and Independent Non-Executive Director

AC RC SAC

Year of birth: 1953
Nationality: British
Initial appointment: July 2017

Mr Williams has spent over 30 years in both executive and non-executive positions in consumer-facing businesses comprising retail, leisure, media and consumer products.
Mr Williams also serves as Chairman of Mister Spex (a multi-channel eyewear retailer based in Berlin). During the 13 years up to 2004, he served as chief financial officer and then as chief executive of Selfridges. Alongside this experience, Mr Williams has also served on the boards of ASOS plc, boohoo Group plc, Rightmove plc, Cineworld Group plc, Blacks Leisure Group plc, JJB Sports plc, U and I Group plc and Superdry plc. He is also a chartered accountant and has a bachelor's degree in Mathematics from Bristol University.

Aslan Saranga
Chief Executive Officer and Executive Director

Year of birth: 1969
Nationality: Turkish
Initial appointment: June 2017

Mr Saranga is the Chief Executive Officer, having been appointed as the founding chief executive officer of the exclusive master franchisee of the Domino's System in Turkey on its inception in 1996. Alongside this position, Mr Saranga is also the Chairman of the Board of Directors at Domino's Russia.
He currently sits as a board member of the Food Retailers Association, a leading industry group in Turkey, and is a member of Domino's Pizza General Management Council, which is comprised of the CEOs of the top ten countries in the global Domino's Pizza network. Mr Saranga has a master's degree in Finance from the University of Istanbul.

Frederieke Slot
Company Secretary and Executive Director

Year of birth: 1982
Nationality: Dutch
Initial appointment: July 2017

Ms Slot served as senior legal counsel of USG People between 2014 and 2017 (a large HR service provider that was listed on the Amsterdam Stock Exchange until June 2016). She spent the early part of her career as an attorney-at-law with various large Dutch law firms, advising on restructuring, mergers and acquisitions, and advising national and international companies on a wide range of strategic legal issues, corporate governance matters and legal and regulatory responsibilities. Ms Slot has a degree in Law from the University of Leiden.

Shyam S. Bhartia
Non-Executive Director

SAC

Year of birth: 1952
Nationality: Indian
Initial appointment: April 2021

Mr Shyam S Bhartia is founder and chairman of Jubilant Bhartia Group, headquartered in New Delhi, India. With strong global presence in diverse sectors, the Group has four companies listed on the Indian Stock Exchanges. Mr Bhartia is chairman of Jubilant Pharmova, Jubilant Ingrevia and Jubilant FoodWorks Limited (a food service company and master franchisee of Domino's Pizza in India, Sri Lanka, Bangladesh and Nepal).
He is also Chairman and managing director of Jubilant Pharma, Singapore. Mr Bhartia holds a bachelors' degree in Commerce from St Xavier's College and Calcutta University, and is a qualified cost and works accountant.

Key: AC Audit Committee | RC Remuneration Committee | SAC Selection and Appointment Committee

Board continued

Hari S. Bhartia
Non-Executive Director

Year of birth: 1956
Nationality: Indian
Initial appointment: April 2021

Mr Hari S Bhartia is founder and co-chairman of Jubilant Bhartia Group, headquartered in New Delhi, India. With a strong global presence in diverse sectors, the Group has four companies listed on Indian Stock Exchanges. Mr Bhartia is co-chairman and managing director of Jubilant Pharmova and co-chairman of Jubilant Ingrevia and Jubilant FoodWorks Limited (a food service company and master franchisee of Domino's Pizza in India, Sri Lanka, Bangladesh and Nepal). He is a Chemical Engineering graduate from the Indian Institute of Technology ("IIT"), Delhi and former President of the Confederation of Indian Industry ("CII"). He is also a member of several educational, scientific and technological programmes of the Government of India.

David Adams
Senior Independent Non-Executive Director

AC RC SAC

Year of birth: 1954
Nationality: British
Initial appointment: April 2021

Mr Adams also serves as Chairman of EV Limited (a UK based soft fruit producer), and sits on the Board of two UK charities. In the last six years,

Mr Adams has served on the boards of PizzaExpress UK, Thinksmart plc, Halfords plc, Debenhams plc, Conviviality plc, Fever Tree Drinks plc, Hornby plc and Elegant Hotels plc. He holds an MA from Edinburgh University and a Diploma in Business Administration from the Scottish Business School.

Burak Ertaş
Independent Non-Executive Director

Year of birth: 1969
Nationality: Turkish
Initial appointment: June 2022

Mr Ertas is currently the Chief Executive Officer at sahibinden.com, (an online classifieds and marketplace platform in Turkey). Prior to Sahibinden, Mr Ertas worked in executive leadership roles in marketing, product management and development and software engineering at Turkcell, Telenity and Telsoft. Mr Ertas has more than 30 years of experience in the information and communications technology ("ICT") sector.

He is also the vice-chairman at Interactive Advertising Association ("TR") and a member of the board at Turkish Informatics Industry Association.

Mr Ertaş holds an Executive MBA from Koç University in Istanbul and a BSc Electrical & Electronics Engineering from the Middle East Technical University in Ankara.

Ahmet Ashaboğlu
Independent Non-Executive Director

Year of birth: 1971
Nationality: Turkish
Initial appointment: September 2022

Mr Ashaboğlu is currently a board director at Mavi, Yapi Kredi Bank, Hepsiburada ("NASDAQ"), Koc Financial Services, Koc Finansman, and Sirena Marine. He began his career as a Research Assistant at MIT in 1994 and held various positions in capital markets within UBS Warburg, New York. After serving as a management consultant at McKinsey & Company, New York, Mr Ashaboğlu moved back to Turkey and joined Koc Holding as Finance Group Coordinator in 2003. He was appointed Group CFO in 2006, serving until April 2022.

Mr Ashaboğlu holds a BSc from Tufts University and a Master of Science from Massachusetts Institute of Technology, both in Mechanical Engineering.

Leadership team

Aslan Saranga
Chief Executive Officer
and Executive Director

See biography on page 79.

Neval Korucu Alpagut
Chief Financial Officer

Ms Alpagut became Chief Financial Officer in 2017. She joined the Group in 2006 as the Chief Financial Officer of the Turkish Operations. Ms Alpagut has a degree in Business Administration from İstanbul University.

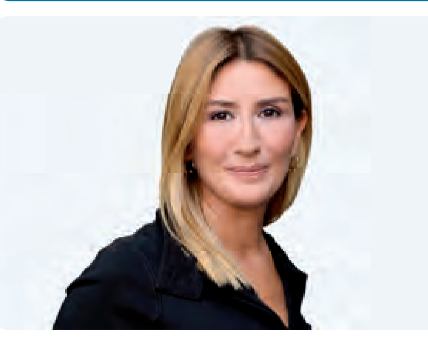
Kerem Ciritci
Chief Executive Officer of Turkish Operations

Mr Ciritci became Chief Executive Officer of the Turkish Operations in 2022. Since 2010 he has been Business Development, Franchise Operations and International Development Director and Chief Growth Officer of the Turkish Operations. Mr Ciritci has a degree in Tourism Administration from Boğaziçi University.

Daniel Rubinowski
Chief Executive Officer of Russian Operations

Mr Rubinowski was appointed as the CEO of Russian Operations in 2021. Prior to this, he was Marketing Director of KFC for Russia & CIS for over four years at Yum!. Mr Rubinowski has a degree in Economics from the Poznan University of Economics.

Pınar Togay
Chief Marketing & Digital Business Officer

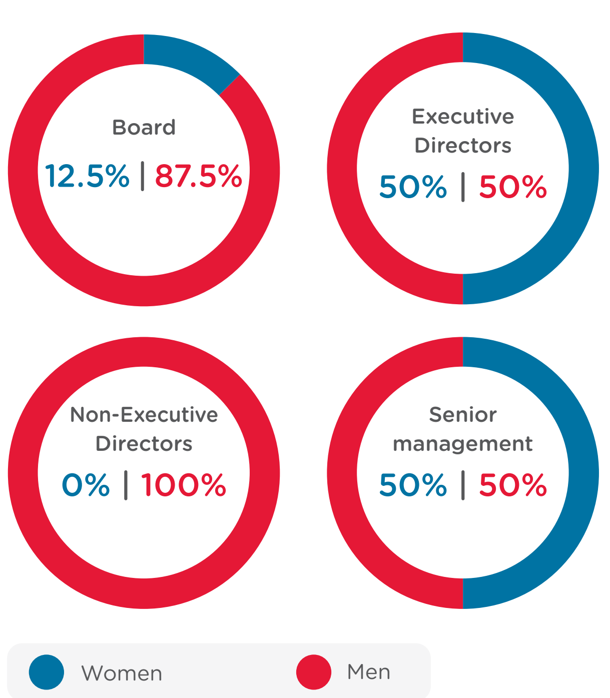


Ms Togay became Chief Marketing & Digital Business Officer of Turkey and Russia Operations from January 2022. She was previously the Marketing Director of the Turkish Operations since 2019. Ms Togay has a degree in International Relations from Galatasaray University.

Board attendance and composition

During the year, Directors attended seven Board meetings, with some Directors attending meetings of committees established by the Board to conclude certain matters.

Board diversity



Directors' skills and experience

Skills/experience	Number of Directors
Retail	●●●●●●○○
Remuneration/people	●○○○○○○○
Finance	●●●○○○○○
Marketing/brand	●●●●○○○○
Product specific	●●●○○○○○
Listed entity experience	●●●●●●○○
Legal, governance and compliance	●●○○○○○○
IT/digital	●●○○○○○○
International markets	●●●●●●○○

Attendance of Board meetings

	Date of possible reappointment	Duration of unexpired term of appointment	Attendance at planned Board meetings/calls	Attendance site visits	Attendance at meetings of the Audit and Remuneration Committees	Attendance at meetings of the Selection and Appointment Committee
Peter Williams	2022	2 months	7	1/1	9	2
Aslan Saranga	2022	2 months	7	1/1	n/a	n/a
Frederieke Slot	2022	2 months	7	1/1	n/a	n/a
Shyam Bhartia	2022	2 months	5	1/1	n/a	n/a
Hari Bhartia	2022	2 months	6	1/1	n/a	n/a
Pratik Pota[1]	2022	2 months	4	1/1	n/a	n/a
David Adams	2022	2 months	7	1/1	9	2
Burak Ertas[2]	n/a	n/a	2	n/a	1	n/a
Ahmet Ashaboğlu[3]	n/a	n/a	0	n/a	n/a	n/a

(1) Pratik Pota ceased to be a Board member on 8 June 2022.
(2) Burak Ertas joined the Board on 8 June 2022.
(3) Ahmet Ashaboğlu joined the Board on 20 September 2022.

Corporate governance report

The Board is committed to maintaining a governance framework that is appropriate to the business, supports effective decision-making and promotes decisions focused on the long-term success of the Group.

Corporate governance

DP Eurasia is a limited liability company incorporated under the laws of the Netherlands. DP Eurasia has a premium listing of ordinary shares on the London Stock Exchange. The Company has a one-tier Board structure.

The following sections explain how the Company applies the main provisions set out in the UK Corporate Governance Code and the Dutch Corporate Governance Code, and how they have been prepared in line with the UK Listing Authority Listing Rules (the "Listing Rules").

This part of the Annual Report covers:

The structure and role of the Board and its committees	Page 85
Relations with the Company's shareholders and the General Meeting	Pages 124-125
The reports of the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee	Pages 87-89
Information that needs to be included pursuant to the Listing Rules, if not included in the consolidated financial statements, the remuneration report (payment for loss of office) and the shares and shareholders paragraph (Relationship Agreement and the controlling shareholder).	Page 107 and 124

Corporate governance statement

The information required to be included in this corporate governance statement, as described in articles 3, 3a and 3b of the Dutch Decree on the contents of Directors' report (the "Decree"), is incorporated and published in the corporate governance section of the Company's website.

How did the Board engage with stakeholders in 2022?

The Chairman, Chief Executive Officer and Senior Independent Director have regular contact with the Company's major shareholders. Their views are taken into account when the Board makes decisions. The Company also recognises that the business has a role in contributing to wider society. The Board encourages the support provided to hospitals during the COVID-19 pandemic and the aid provided to victims in the Turkey-Syria earthquake.

Corporate governance report continued

The Board

This section of the corporate governance report explains how the Board has fulfilled its duties and obligations during the year 2022.

Role and responsibilities

The Board is a one-tier board, and the Directors have joint powers and responsibilities. The Directors share responsibility for all decisions, resolutions and acts of the Board and for the acts of each Director. Each Director has a duty towards the Company to properly perform the responsibilities assigned to him or her. In performing their duties, each Director is guided by the interests of the Company and its business enterprise, taking into consideration the interests of stakeholders (which include, but are not limited to, consumers, franchisees, employees, creditors and shareholders).

The composition of the Board in 2022 was in line with its profile, as published on the Company's corporate website, in terms of experience, expertise, nationality and age. Regarding gender diversity, as at 31 December 2022, the Board has no female Non-Executive Directors. Addressing gender diversity will be a priority when the Board considers to appoint another Non-Executive Director.

At any time, the Board, as a whole, is entitled to represent and act on behalf of the Company. Additionally, the Chief Executive Officer and another Executive Director acting jointly are authorised to represent and act on behalf of the Company. The majority of the Directors are Non-Executive Directors who essentially have a supervisory role.

The names and biographical details of the serving Directors, their role on the Board, their dates of appointment and their other major appointments can be found on pages 79 and 80.

The Board is responsible for the management, general affairs, strategy and operations of the Company. The Board may perform all acts necessary or useful for achieving the Company's corporate objectives, except for actions and resolutions expressly attributed to the General Meeting as a matter of Dutch law or pursuant to the Company's articles of association.

Our culture

Ambition

The Group is committed to improving its brand to overcome new challenges whilst demonstrating an eagerness to adapt and grow.

Integrity

The Group is dedicated to choosing the path which strengthens its principles of truth, loyalty, and justice in the daily conduct of all workers.

Cohesion

The Group aims to achieve the ambitious goals it sets through the contribution of all business units. The Group's experience facilitates the bringing together of necessary resources to overcome new challenges.

Team spirit

The Group operates globally in culturally diverse contexts and encourages, a respect for differences, a sense of belonging, loyalty and reciprocity, amongst all workers.

How did the Board spend their time in 2022?

The meetings addressed routine commercial, operational and financial matters and focused on key resource levels and strategic implementation. As well as day-to-day matters, the Non-Executive Directors paid particular attention to the activities regarding investors. Furthermore, the Board was regularly updated on the situation in Russia.

Corporate governance report continued

Board committees and roles

Shareholders
96 shareholders as at 31 December 2022

Board

Selection and Appointment Committee

The Selection and Appointment Committee assists and advises the Board and prepares the Board's decision-making. The Selection and Appointment Committee, among other things, focuses on: (a) drawing up selection criteria and appointment procedures for Directors; (b) periodically assessing the size and composition of the Board, and making a proposal for a composition profile of the Board; (c) periodically assessing the functioning of individual Directors, and reporting this to the Board; (d) drawing up a plan for the succession of Directors; (e) making proposals for appointments and reappointments; and (f) supervising the policy of the Board regarding the selection criteria and appointment procedures for senior management.

See Selection and Appointment Committee report on page 89.

Audit Committee

The Audit Committee assists and advises the Board and prepares the decision-making of the Board on the supervision of the integrity and quality of the Company's audit, accounting and financial reporting processes and the effectiveness of the Company's internal risk management and control systems. Among other things, it focuses on monitoring the Board with regard to: (a) relations with, and compliance with, recommendations and following up of comments by the internal and external auditors; (b) the funding of the Company; and (c) the application of information and communication technology by the Company, including risks relating to cybersecurity.

See Audit Committee report on pages 87 and 88.

Remuneration Committee

The Remuneration Committee assists and advises the Board and prepares the Board's decision-making regarding the determination of remuneration of the Executive Directors, the proposed target for the LTIP, and the review and monitoring of overall remuneration packages for senior management.

See Remuneration Committee report on pages 88 and 89.

Executive team

Chief Executive Officer

- Chief Financial Officer
- Head of IR
- CEO of the Turkish Operations
- CEO of the Russian Operations
- CFO Russia
- Company Secretary

Corporate governance report continued

Appointment, dismissal and suspension

Pursuant to the Company's articles of association, the Board must consist of at least one Executive Director and one Non-Executive Director. The Board determines the total number of Directors. The General Meeting appoints, suspends and dismisses each Director. As long as there is a controlling shareholder (for the purposes of the Listing Rules), the Board rules allow for the election or re-election of any independent Director to be approved by separate resolutions of: (i) the Company's shareholders; and (ii) the Company's shareholders excluding any controlling shareholder. If either of the resolutions is defeated, the Company may propose a further resolution to elect or re-elect the proposed independent Director, which (a) may be voted on within a period commencing 90 days and ending 120 days from the original vote, and (b) may be passed by a vote of the shareholders of the Company voting as a single class.

Each Executive Director may at any time be suspended by the Board.

The General Meeting determines the term of appointment for each Director. A Director's appointment may be renewed at General Meetings, with due observance to the rules and regulations as applicable to the Company. Ultimately, the Directors' main responsibility is to promote the long-term success of the Company, acting in shareholders' best interests. All of our Directors submit themselves for re-election at each AGM and we provide shareholders with sufficient information in the meeting papers for them to decide whether their commitment and performance warrant a further year in office. At the 2022 AGM, each serving Director was re-elected.

A resolution of the General Meeting to appoint, suspend or dismiss a Director requires an absolute majority of the votes cast. The General Meeting can suspend or dismiss a Director at any time.

Jubilant will be able to nominate up to three Non-Executive Directors to the Board for appointment, for as long as it and its associates are entitled to exercise or to control the exercise of 10% or more of the votes cast on all, or substantially all, General Meetings. More information relating to the nomination rights of Jubilant can be found on page 86.

Executive Directors

The Board has delegated the operational running of the Group to the Executive Directors with the exception of the following matters which are reserved for the full Board: structural and constitutional matters; corporate governance matters; dividend proposals; developing and approval of the overall strategy and decisions on managing the corporate portfolio; approval of the business plan and budget; oversight of the operational and financial performance of the business; review and approval of any publication by the Company of any information required by applicable laws and regulations; approval of significant transactions or arrangements in relation to mergers, acquisitions, joint ventures and disposals; approval of changes made to franchise agreements or other significant agreements; settlement of material litigation issues, significant financial injections and capital expenditures; and approval of material changes to pension liabilities.

Non-Executive Directors

The Non-Executive Directors share full responsibility for the execution of the Board's duties. Within this broad responsibility, the Non-Executive Directors are essentially supervising and advising the Board and management regarding the strategy, the implementation of the strategy and the principal risks associated with it, and focus on the effectiveness of the Company's internal risk management and control systems and the integrity and quality of the financial reporting.

Further, the Non-Executive Directors scrutinise the performance of management in meeting the agreed goals and objectives and supervise the relations with shareholders. The Board acknowledges that it is important that the Non-Executive Directors develop an understanding of the views of major minority shareholders about the Company.

In relation herewith, the Non-Executive Directors are regularly provided with analysts' updates and briefings and are invited to join meetings with major minority shareholders. In carrying out their duties, the Non-Executive Directors are guided by the Dutch Civil Code, the Dutch Corporate Governance Code, the UK Corporate Governance Code, the Company's articles of association, and the overall interests of the Group, its business and stakeholders.

Each Non-Executive Director has committed to the Company that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively. At the 2023 AGM, it is proposed that the current Executive Directors and Non-Executive Directors will be reappointed. Mr Peter Williams will retire from the Board at the end of the 2023 AGM. He will be succeeded by Mr Ahmet Ashaboğlu who was appointed as an Independent Non-Executive Director in September 2022.

As discussed in the 2021 Annual Report and Accounts, the Board recognised that it would require additional independent Non-Executive Directors to comply with the applicable corporate governance best practice principles. Following the 2022 AGM and the EGM in September 2022, two new independent Non-Executive Directors were appointed. Taking into account that Mr Williams will not be up for re-election, the Selection and Appointment Committee has started the search for another independent Non-Executive Director.

Corporate governance report continued

The Board has taken into account the other demands of the relevant Directors and has no concerns on their time commitment using the prior year as a reference point. Any additional appointments Directors are contemplating taking on are discussed with the Chairman in advance, including the likely time commitment and whether these could in any way constitute a conflict of interest.

Committees

The Company has established three committees: an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee. These committees each have written terms of reference, and are currently composed as described below. The members of each of these three committees are appointed from among the Non-Executive Directors. From time to time, separate committees may be established by the Board to consider specific issues when the need arises. The committees operate pursuant to the terms of reference approved by the Board in accordance with the law, the Dutch Corporate Governance Code and the UK Corporate Governance Code. The terms of reference are reviewed by each committee during the year. The committees' terms of reference are available on the Company's corporate governance website, including attendance at meetings in 2022, which can be found on page 82.

How many times did the Board meet in 2022?

During the year, Directors attended seven Board meetings and calls, with some Directors attending meetings of committees established by the Board to conclude certain matters. Attendance at all of these meetings is shown on page 82.

Audit Committee

Meetings in 2022: 4

Members: David Adams (Chair), Peter Williams, and Ahmet Ashaboğlu (member since September 2022)

The Audit Committee met four times in 2022. In general, all meetings of the Audit Committee are attended by the CEO, the CFO, the Internal Audit and Risk Management Director and the external auditor. The Company Secretary attends meetings in her capacity as Secretary of the Audit Committee.

At the end of each meeting, it was chosen to discuss matters without management being present and there is regular dialogue with the audit partner. The Investor Relations Director joined the meetings during which the press releases regarding annual and half-year results were discussed.

Other members of the Board and senior management were invited when necessary or appropriate. The Audit Committee is chaired by Mr Adams and its other members are Mr Williams and Mr Ashaboğlu, who joined the Audit Committee after his appointment in September 2022.

The UK Corporate Governance Code recommends that the Audit Committee has a minimum of two members, taking into account that the Company is seen as a smaller company, and that all members of the Audit Committee be Non-Executive Directors, independent in character and judgement, and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement.

The Dutch Corporate Governance Code requires that all members of the Audit Committee be Non-Executive Directors and that more than half of the members should be independent. The Board considers that the Company complies with the independence requirements of the UK Corporate Governance Code and the Dutch Corporate Governance Code as to the composition of the Audit Committee, because it comprises two independent Non-Executive Directors. The UK Corporate Governance Code also recommends that the Chairman of the Board should not be a member of the Audit Committee. The Company cannot comply with this principle. More information on the accountability regarding this best practice provision of the UK Corporate Governance Code can be found on page 92.

The Audit Committee's focus in 2022 was, among other things, on overseeing the integrity and quality of the Group's financial reporting, the effectiveness of the internal risk and control systems, the relevant 2022 tax matters, debt covenant compliance and the impact and consequences of the introduction of IAS 29, 'Financial Reporting in Hyperinflationary Economies' in Turkey. The Audit Committee reviewed the Company's annual and interim financial statements and related press releases, as well as the outcomes of the year-end audit.

The Audit Committee discussed relevant accounting principles and the recoverability of deferred tax assets ("DTA") from carry forward tax losses of DP Russia. Another item that was discussed in more depth was the overall cyber security of the Group, including the 2022 cyber security projects, disaster recovery cycles, the 2022 IT budget and the cyber insurance agreement.

Corporate governance report continued

Furthermore, the Audit Committee reviewed and approved the audit plans of the internal and external auditors, with a focus on scoping, materiality and key risks. The Audit Committee monitored the progress of the internal and external audit activities, including a review of observations identified as a result of the internal audit activities during the quarter, quarterly procedures performed by the external auditor, and the audit performance at year end by the external auditor. The Audit Committee oversaw a follow-up by management on the recommendations made by the internal and external audit reports.

The Audit Committee extensively discussed the effectiveness of the internal control framework. Each quarter, the agenda includes a discussion on current control topics, including internal audit findings and the external auditor's reflections on the control framework. These discussions guided management and internal audit to focus on the right priorities throughout the year and to build a relevant internal audit plan for 2022.

The Audit Committee provided advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy. Each Director was also asked to provide this confirmation. When doing so, both the Audit Committee and the individual Directors were provided by management with a formal assessment of the key messages included in the Annual Report and Accounts. This assessment was designed to test the quality of reporting and to enable the Directors to satisfy themselves that the levels of disclosure were appropriate.

The Audit Committee has reviewed the independence, effectiveness and objectivity of the external auditor, PwC, and considers that PwC possesses the skill and experience required to fulfil its duties effectively and efficiently. The Audit Committee's review of the effectiveness of PwC as the external auditor is based on the interaction of the Audit Committee with PwC, discussions with the senior finance team, discussions with the lead audit partner and his team, robustness of the audit and the quality of reporting to the Audit Committee.

PwC has monitored its compliance with external standards, the PwC Global Independence Policy and DP Eurasia's independence policy, with respect to services provided in 2022, and confirmed that it has been, and is, compliant with these independence requirements. With respect to the external auditor's Board report on the 2022 financial year, the Audit Committee confirms that the Board report contained no significant items that need to be mentioned in this report.

DP Eurasia N.V. was incorporated on 18 October 2016 and listed its shares on the London Stock Exchange as of 3 July 2017.

As a consequence, PricewaterhouseCoopers Accountants N.V. was appointed as the statutory auditor of the listed entity. Prior to the listing, PwC Turkey was already the statutory auditor of the consolidated financial information of all the operating entities since 31 December 2014. The shareholders reappointed PwC during the AGM on 8 June 2022.

The Audit Committee agrees the fees for the external auditor and has agreed strict rules regarding the provision of non-audit services by the external auditor. These include specific pre-approvals for proposed non-audit work.

Remuneration Committee

Meetings in 2022: 4

Members: David Adams (Chair), Peter Williams, and Burak Ertas (member since June 2022)

The Remuneration Committee is chaired by Mr Adams and its other member is Mr Williams. Mr Ertas joined the Remuneration Committee after his appointment in June 2022. Members of the Remuneration Committee are appointed by the Board. The UK Corporate Governance Code recommends that all members of the Remuneration Committee be Non-Executive Directors, independent in character and judgement, and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Dutch Corporate Governance Code requires that all members of the Remuneration Committee be Non-Executive Directors and that more than half of the members be independent.

The Board considers that the Company complies with the requirements of the UK Corporate Governance Code and the Dutch Corporate Governance Code as to the composition of the Remuneration Committee because the Remuneration Committee comprises two independent Non-Executive Directors. In 2022, the Remuneration Committee met four times.

Corporate governance report continued

The meetings of the Remuneration Committee were attended by the CEO and the Human Resources Director (by phone and in person) whenever necessary. The Company Secretary attends meetings in her capacity as Secretary of the Remuneration Committee.

Other members of the Board and senior management were invited when necessary or appropriate. In the case of topics concerning the remuneration of the Chief Executive Officer, it was chosen to discuss these matters without the Chief Executive Officer being present. Further detail on remuneration of the Board can be found on pages 110 to 111. in the remuneration report, which includes a further explanation of the Remuneration Policy and the actual remuneration and relationship between remuneration and performance of the Executive Directors for 2022.

Read the remuneration report on pages 95-98

Selection and Appointment Committee

Meetings in 2022: 2

Members: Peter Williams (Chair), David Adams, Pratik Pota (until June 2022), and Hari Bhartia (member since June 2022)

The Selection and Appointment Committee is chaired by Mr Williams and its other members are Mr Adams and Mr H. Bhartia. Members of the Selection and Appointment Committee are appointed by the Board. The UK Corporate Governance Code recommends that a majority of the Selection and Appointment Committee be Non-Executive Directors, independent in character and judgement, and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement, and the Dutch Corporate Governance Code requires that all members of the Selection and Appointment Committee be Non-Executive Directors and that more than half of the members be independent.

The Board considers that the Company complies with the requirements of the UK Corporate Governance Code and the requirements of the Dutch Corporate Governance Code as to its composition of the Selection and Appointment Committee because the Selection and Appointment Committee comprises of two independent Non-Executive Directors and one non-independent Non-Executive Director.

The Selection and Appointment Committee met two times in 2022. The meetings of the Selection and Appointment Committee were attended by the Chief Executive Officer and the Company Secretary in her capacity as Secretary of the Selection and Appointment Committee.

The Selection and Appointment Committee discussed the possible succession planning of Executive Directors, Non-Executive Directors and the succession of the Chairman.

The Selection and Appointment Committee also discussed the Board's approach to its annual self-assessment on Board effectiveness, the appointment of additional Non-Executive Directors and the composition of the Board in general. Further, the committee reviewed the performance of the Directors seeking re-election at the 2023 AGM.

The Board recognises its responsibility of having Directors with the appropriate balance of educational background, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. The Board has a key role to protect shareholders' interests by ensuring that the Board and management are challenged, constructively and effectively, and it is important that they do so from a range of perspectives. Fortunately, the Group's business is diverse and people are recruited regardless of their gender, nationality or possible other characteristics to make sure that people are recruited from the widest pool of talent.

Details of the Board diversity data are shown on page 82.

Corporate governance report continued

Board effectiveness

Activities of the Board

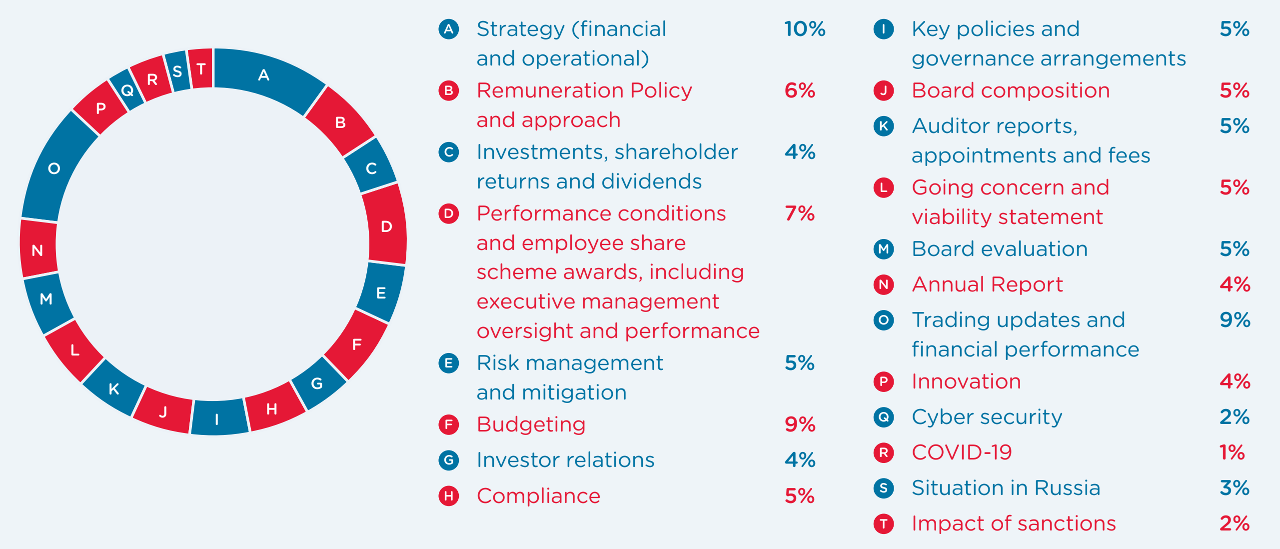
In general, a minimum of four face-to-face meetings are planned throughout the calendar year to consider, for example, the half-year and full-year results announcements of the Group and the strategy of the Group. Meetings of the Board are held in Amsterdam, with two site visits to Istanbul a year.

The Chairman sets the Board's agenda, ensures the Directors receive accurate, timely and clear information, and promotes effective relationships and open communication between the Executive and Non-Executive Directors. Due to the travelling restrictions in connection with the COVID-19 pandemic, the Board held limited face-to-face meetings and the rest were hybrid meetings or held via video conference only. The Board resumed face-to-face meetings and meetings in Amsterdam in the second half of 2022.

The virtual meetings were held with all Directors present. Throughout the year, the Chairman and other Non-Executive Directors had regular contact with the Chief Executive Officer. None of the Non-Executive Directors were frequently absent, and in all meetings there was sufficient presence to constitute a valid quorum. The table showing the attendance of Directors at Board meetings in 2022 can be found on page 82.

At each Board meeting and with respect to any proposed resolution submitted to the Board, each Director holds the right to cast one vote provided that such Director does not have a conflict of interest with respect to the proposed resolution. Where the articles of association or the Board Rules do not prescribe a larger majority, all resolutions submitted to a Board meeting may only be adopted by a majority of the votes cast in such a meeting. In the event of a tie, the proposed resolution will be deemed to have been rejected.

Board activities



Main matters discussed during the year's Board meetings:

- developing and approval of the overall strategy;
- the impact and consequences of COVID-19;
- progress on implementing the overall strategy;
- cyber security;
- long-term value creation and the strategy for realisation;
- budget for 2022;
- oversight of the operational and financial performance of the business;
- review of risks and internal risk management and control systems;
- potential collaborations and acquisition opportunities;
- investor relations activities;
- capital structure;
- significant human resources matters;
- major capital investments;
- the half-year results, including the announcement and investor presentations of these half-year results; and
- innovation.

Corporate governance report continued

Board evaluation

The Board is required to assess its own effectiveness. This is a healthy process for the Board as a whole, the committees, and the individual Directors. The Board discussed the 2022 annual internal evaluation and determined that, since the majority of the Directors had only been in function for a few meetings or will leave the Company in due course, it would assess its own functioning again in 2023. After this first assessment, the Board will discuss the elements assessed and lessons learnt together. However, the Board has discussed whether any immediate improvements or changes should be made. The Board's view was that a good start had been made in working together.

The internal control procedures are described in more detail on page 60 of this report. The Board is of the opinion that these fulfil the needs of the Group.

Non-Executive Director meetings

The Non-Executive Directors meet as a group, without the Executive Directors present, to consider specific agenda items set by them at least once a year, including to review the performance of the Chairman, the committees and the Executive Directors. The Chairman, or in his absence the Senior Independent Director, chairs such meetings.

Composition and diversity of the Board

The composition of the Board, including the Non-Executive Directors, can be found on pages 79 and 80.

The Board has a diverse composition in terms of educational background, professional expertise, age and nationality. In this respect, DP Eurasia's ambition is to have a blend of industry knowledge and financial, legal, executive and non-executive expertise. The target for a balanced Board composition is a minimum of 30% female representatives. This target is currently met by DP Eurasia for the Executive Directors (50%), but not for the Non-Executive Directors. DP Eurasia, however, regards the full Board as being well balanced in terms of knowledge, experience and diversity.

The Selection and Appointment Committee will strive for a diverse composition in the process of appointing and reappointing members to the Board in the future. At the same time, necessary knowledge of the Company, franchise, digital retail and the Company's key market areas will stay as key appointment criteria. With regard to the appointments of Messrs Burak Ertas and Ahmet Ashaboğlu, the Selection and Appointment Committee did not use an external search agency to look for a suitable Director.

The Board endeavours to ensure that the composition of the Board is such that its members are able to act critically and independently of one another, the Executive Board and any particular interest.

The Board reviews the independence of its Non-Executive Directors annually. In assessing the independence of each Director, the Board considers whether each is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board has considered the independence of the current Non-Executive Directors. It does not regard that Mr Shyam Bhartia and Mr Hari Bhartia are independent as they are appointed upon the nomination of Jubilant, the controlling shareholder.

Director induction

All the new Directors participated in an induction programme when they joined the Board. The Chairman ensures that ongoing training is provided for Directors by way of site visits and presentations. All Directors have access to the services of the Company Secretary, and the opportunity to seek independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors or as members of Board committees. The Board is supplied with information in a form and of a quality appropriate to enable it to discharge its duties effectively. This is provided in good time ahead of all meetings and decisions, and Non-Executive Directors are encouraged to seek clarification from management whenever they feel appropriate.

Indemnification

The terms of the indemnification granted to the Directors are set out in the Company's articles of association. An excess Directors' and Officers' Liability and Corporate Reimbursement Insurance was in place for all Directors in 2022 and is currently in force.

Corporate governance report continued

Conflicts of interest

Any conflict of interest by a member of the Board shall immediately be reported to the Board. In the event that a Director is uncertain whether or not he has a conflict of interest, he may request the Chairman to have the Non-Executive Directors determine whether there is a conflict of interest. A Director may not participate in the deliberation and decision-making process if he or she has a conflict of interest. In 2022, no transactions were reported under which a Director had a conflict of interest which was of material significance to the Company or to the individual Director.

Insider dealing code

The Board has adopted a code of securities dealings in relation to the shares and a policy with respect to the entry into of transactions with persons related to the Group. The code is based on the rules of the UK Market Abuse Regulation and will apply to the Directors and other relevant employees of the Group. The policy is based on the mandatory provisions of the Listing Rules which apply to the Group.

Accountability: Takeover Directive (Article 10) Decree

The relevant information referred to in Section 1 of the Takeover Directive (Article 10) Decree is included in the Annual Report on page 86 (Appointment, dismissal and suspension), page 122 (Our shares), pages 123 and 124 (Controlling shareholder and Relationship Agreement) and page 144 (Share-based incentives).

Accountability: UK and Dutch Corporate Governance Codes

UK Corporate Governance Code

The Company complies with and, except in the case of any future deviation, subject to explanation thereof at the relevant time, intends to continue to comply with the relevant recommendations of the UK Corporate Governance Code. The UK Corporate Governance Code contains 18 main principles, which are expanded on in supporting principles and detailed provisions. Together, these set out the key components of effective Board practice and corporate governance, and we explain in this report how we have applied these during the year.

Jubilant FoodWorks Netherlands B.V. ("Jubilant"), the wholly owned subsidiary of Jubilant FoodWorks Limited, is the largest holder of shares in the Company. The Company will continue to represent a significant investment for Jubilant. The Board and Jubilant are mindful of the need to consider the interests of the Company's minority investors and the Group believes the composition of the Board and the committees, with the independent Chairman (being Mr Peter Williams and after the 2023 AGM, Mr. Ahmet Ashaboglu) and the Independent Non-Executive Directors (being Messrs David Adams, Burak Ertas and Ahmet Ashaboğlu), will provide the appropriate corporate governance balance and the interests of both Fides Food Systems and minority shareholders.

Pursuant to the Relationship Agreement (see page 124), Jubilant will be able to nominate three Non-Executive Directors to the Board for so long as it and its associates are entitled to exercise or to control the exercise of 30% or more of the votes able to be cast on all, or substantially all, matters at General Meetings; two Non-Executive Directors for so long as it and its associates are entitled to exercise or control the exercise of 20% or more; and one Non-Executive Director for so long as it and its associates are entitled to exercise or control the exercise of 10% or more. The current appointees are Messrs Shyam Bhartia and Hari Bhartia.

The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List of the FCA should appoint one of the non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman or executive directors has failed to resolve or for which such contact is inappropriate. At the 2021 AGM, Mr David Adams was appointed as Senior Independent Director.

The Board will follow the recommendation of the UK Corporate Governance Code that an Executive Director is expected to build up a shareholding worth 100% or a significant amount of their salary. Pursuant to the Remuneration Policy 2021-2024, the Chief Executive Officer will be required to retain a minimum of 5,000,000 shares subject to remaining as an employee.

Corporate governance report continued

The Company does not currently comply with the following principles and best practice provisions of the UK Corporate Governance Code:

Best practice provision 11 ("Independence of the Board")

The Company does not comply with best practice provision 11, which determines that at least half of the Board, excluding the Chairman, should be considered independent by the Board. As long as Jubilant holds at least 30% of the shares, it shall have the right to nominate three of the five Non-Executive Directors, and the nominees do not need to be "independent".

The Company believes this deviation is justified by Jubilant's shareholding in the Company due to the specific knowledge and experience of the business of the Company held by these Directors. Further, in order to comply with this best practice provision and with the agreement that was made with Jubilant, the Company should appoint three additional independent Non-Executive Directors so it will have a Board consisting of ten Board members. The Company believes that this would not be feasible taking into account the size and resources of the Company.

However, the Company recognised that it should take steps to comply with this best practice provision and has appointed two additional independent Non-Executive Directors. During this process and following the 2022 AGM, Jubilant agreed to reduce their representation from three Directors to two.

Best practice provision 24 ("Audit Committee")

The Company does not comply with best practice provision 24, which determines that the Chairman of the Board should not be a member of the Audit Committee. The Company believes that the members of the Audit Committee should be independent Non-Executive Directors with relevant recent financial experience and therefore believes it justified that Mr Williams remains as a member of the Audit Committee taking into account the size and resources of the Company and the right of Jubilant to nominate three Non-Executive Directors.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code, dated 8 December 2016, became effective on 1 January 2017 and has its statutory basis in Book 2 of the Dutch Civil Code. Dutch companies whose shares are listed on a regulated market (such as the London Stock Exchange) are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code and, in the event that they do not apply a certain provision, to explain the reasons why. The Board has reviewed the Dutch Corporate Governance Code and supports the best practice provisions thereof.

Therefore, except: (i) where the Dutch Corporate Governance Code cannot be reconciled to the UK Corporate Governance Code; (ii) as noted below; or (iii) in the case of any future deviation, subject to explanation thereof at the relevant time, the Company intends to comply with the relevant best practice provisions of the Dutch Corporate Governance Code (publicly available at www.mccg.nl).

The Company will not comply with the following principles and best practice provisions of the Dutch Corporate Governance Code:

Best practice provision 2.1.7 ("Independence of the Supervisory Board")

For the first half of the year, the Company did not comply with best practice provision 2.1.7, which determines, inter alia, that more than half of the total number of Non-Executive Directors should meet the independence criteria as defined in the Dutch Corporate Governance Code. As long as Jubilant holds at least 30% of the shares, it shall have the right to nominate three of the five Non-Executive Directors, and the nominees do not need to be "independent".

The Company believes this deviation is justified by Jubilant's shareholding in the Company due to the specific knowledge and experience of the business of the Company held by these Directors.

However, the Company recognised that it should take steps to comply with this best practice provision and has appointed two additional independent Non-Executive Directors. During this process and following the 2022 AGM, Jubilant agreed to reduce their representation from three Directors to two.

Corporate governance report continued

Best practice provision 2.7.5 ("Accountability regarding transactions: majority shareholders")
The Company does not comply with best practice provision 2.7.5, which determines, inter alia, that all transactions between the Company and legal or natural persons who hold at least 10% of the shares must be agreed on terms that are customary in the market and require the approval of the Supervisory Board (or the Non-Executive Directors in a one-tier board). The Company will alternatively comply with Listing Rule 11, which requires shareholder approval for related party transactions which, by value, exceed a de minimis threshold.

The Company believes this deviation is justified because the Listing Rules requirements are mandatory.

Best practice provision 3.1.2 ("Remuneration Policy")
The Company does not comply with best practice provision 3.1.2 (vi), which determines that shares should be held for at least five years after they are awarded. The Company felt it important to demonstrate to the executive team that the scheme would deliver value in the first three years to build confidence in this unfamiliar type of arrangement for Turkish and Russian executives. Having a five-year delay in getting any benefits would reduce its effectiveness. However, for the duration of the 2021-2024 Remuneration Policy, the Chief Executive Officer will be required to retain a minimum of 5,000,000 shares. The Company believes that a further two-year holding period provides little additional incentive given the size of his minimum shareholding, subject to remaining an employee. The Company believes that with the current Remuneration Policy, it ensured an alignment with the interests of the shareholders.

Best practice provision 3.2.3 ("Severance payments")
The Company does not comply with best practice provision 3.2.3, which determines, inter alia, that remuneration in the event of dismissal of employees should not exceed one year's salary. Although, in the Company's case, the Executive Directors will normally, under their contracts, not be entitled to be paid a severance payment upon termination that exceeds one year's annual base salary (the fixed remuneration) in the preceding financial year and no contractual severance payment will be awarded in the event of seriously culpable or negligent behaviour on the part of the Executive Director. Mr Saranga's contract provides for an additional compensation payment of one year's annual base salary payable only in the event that termination of his employment is due to him being unable to work because of a health condition. Where a contract is terminated, the Company reserves the right to make additional payments where such payments are made in good faith in discharge of an existing statutory or legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. Any such payments may include, but are not limited to, paying statutory severance compensation, any fees for outplacement assistance and/or the Executive Director's legal and/or professional advice fees in connection with his or her cessation of office or employment. Payment would also be made for any outstanding vacation days unused at the date of cessation of employment.

Peter Williams
Chairman

19 April 2023

Remuneration report

Statement from the Chairman of the Remuneration Committee

Dear Shareholder

I am pleased to present to you the Directors' Remuneration Report for the year ended 31 December 2022, which includes:

- the Directors' Remuneration Policy approved by shareholders at the 2021 AGM; and
- the Annual Remuneration Report. This outlines how we implemented the Remuneration Policy in 2022 and how we intend to apply it in 2023. This section of the Remuneration Report is subject to an advisory vote by shareholders at the 2023 AGM.

As outlined elsewhere in this Annual Report, over the past year, the Company has been faced by significant macro factors largely outside of its control in both Turkey and Russia. As I advised in my statement last year, this has required the Remuneration Committee to make a number of decisions and adapt aspects of our remuneration arrangements to ensure they continued to deliver the remuneration principles set out below. Details of the key Committee decisions are summarised and explained on the following pages.

Remuneration principles

Our remuneration arrangements are designed with the following key principles in mind:

- to provide alignment with Group strategy;
- to complement our mission of delivering sustainable long-term value for shareholders;
- to deliver remuneration levels that are justifiable to internal and external stakeholders; and
- to attract, motivate and retain outstanding talent.

Remuneration report continued

Performance and incentive outturn for 2022

Performance

As the Chief Executive Officer outlined in his message, 2022 has seen sustained trading performance as the clear and targeted strategy enabled the Group to combat the high levels of volatility. Group system sales increased by 13.1% and group online system sales grew by 15.3%, which are both inflation adjusted figures. In 2022, the Group continued to improve the online proportion of the sales (from 77.4% to 82.7% in 2021) while digital innovation remained an important enabler to enhance the customer experience and further solidify the robust positioning for the online ordering channel. Store growth in such a challenging year was also outstanding. With a solid franchisee demand, Domino's Pizza network in Turkey grew by net 48 stores. 2022 was also the year that COFFY strengthened its presence in the Turkish market as the store network reached 29 stores in five cities by the year end.

Incentive outturns

As outlined elsewhere in this Annual Report, our 2022 financial statements incorporate two significant accounting issues: i) the high level of Turkish inflation throughout 2022 and consequent adoption of IAS 29 ("Financial Reporting in Hyperinflationary Economies"); and ii) the treatment of DP Russia as a discontinued operation. The Remuneration Committee has given considerable thought as to the appropriate way these issues should be dealt with in our incentive plans to ensure they fairly reward performance delivery over the relevant performance periods.

(i) **2022 Annual Bonus –** The Chief Executive Officer's annual bonus was based 75% on Group EBITDA (with targets set in Turkish Lira) and 25% on strategic measures. The Committee agreed that the hyperinflationary environment made the setting of robust annual EBITDA targets impossible for 2022. Instead, the Committee set EBITDA targets at the start of each quarter which were more accurately able to incorporate the prevailing level of inflation, and therefore provide a stretching level of challenge (full details of the amalgamated quarterly targets are on page 113). The strong financial performance described above meant that these targets were exceeded which resulted in an overall bonus scorecard outcome of 100% of maximum.

The Committee carefully assessed the appropriateness of this outcome based on a thorough assessment of overall annual performance. Factors considered included the Group's performance in 2022 relative to 2021 as reflected in the 5.1% increase in the reported IAS 29 EBITDA figure, the strong trading performance and strategic progress outlined above, share price performance and the experience of our other stakeholders during the year. Following this assessment, the Committee was satisfied that the formulaic bonus scorecard outcome was a fair measure of the strong performance achieved during the year and that no discretionary adjustment was required.

(ii) **2020-2022 LTIP –** The Chief Executive Officer's 2020-2022 LTIP award was based on cumulative Group EBITDA (excluding IFRS 16) over the three-year period (with targets set in Turkish Lira). During 2022, the Committee agreed two amendments to the original targets so that the principles underlying the targets were consistent with the accounting changes outlined above:

- the original targets were adjusted upwards to reflect actual Turkish inflation in 2022 rather than the level originally budgeted for 2022; and
- as a discontinued operation, DP Russia was removed from both the targets and outcome for performance in 2022. The Committee agreed that its performance should remain in the assessment for both 2020 and 2021 which pre-date the accounting change.

The overall impact of these amendments is to increase the original cumulative EBITDA target range from TRY 330.2 million – 369.1 million to TRY 378.5 million – 423 million. Actual cumulative Group EBITDA (excluding IFRS 16 and excluding DP Russia in 2022) for the period 2020-2022 was TRY 513.5 million. The award therefore vests at 100%. The Committee was satisfied that this outcome was consistent with the strong performance of the business over the past three years. It also noted that all previous LTIP awards granted to the CEO since IPO had vested at zero. The Committee also considered current shareholder guidance on windfall gains and noted its previous decision to use an extended twelve-month average share price for the 2020-2022 LTIP award had reduced the original grant date value of the award from 100% to 75% of salary. Having considered all of these factors, the Committee agreed that no discretionary adjustment was required.

Remuneration report continued

Other issues considered by the Committee in relation to 2022

- **Increases in salaries denominated in Turkish Lira –** The sustained high inflationary environment in Turkey has required two separate salary reviews during 2022 to ensure that our affected employees are fairly protected from the negative effects of high inflation. The average increase for employee salaries denominated in Turkish Lira has been set at a level consistent with increases in the statutory minimum wage, namely 50% in January 2022 (with the adjustment to salaries applied in two tranches in January and April) and 30% in July 2022 (with the adjustment to salaries applied in July). These increases were also applied to the CEO's Turkish Lira denominated salary.
- **Workforce remuneration –** We are firmly committed to a culture of pay for performance and our reward structure provides a close link between performance of individual businesses and incentive payouts. As a result, a particularly strong set of business results by DP Turkey in 2022 was reflected in above average levels of annual bonus outturn and LTIP vesting for employees in that business.
- **2022 LTIP award –** The 2022 LTIP award was granted in June 2022 with the Committee determining that 100% of the award should vest for EBIDTA growth (excluding DP Russia) between 2021 and 2024 of 7.5% CAGR reducing on a straight-line basis to 0% vesting for flat EBIDTA performance. IAS 29 adjusted figures will be used in this calculation. This structure represents two changes from the 2021 LTIP award:
  - Use of growth targets rather than cumulative targets – Due to the continuing high level of Turkish inflation, the Committee concluded that it would be very challenging to reliably set cumulative targets for the 2022-24 period and that growth targets, using IAS 29 adjusted figures, would provide a more robust basis of assessment.
  - Use of EBITDA as the sole performance measure compared to a combination of EBITDA and EPS performance in 2021. This change was made because the relevant EPS 'base' figure for 2021 was negative so setting growth targets would be problematic. The Remuneration Committee is looking to return EBITDA to 75% of the performance metrics in the 2023 award. A final decision has not been made on which measure will be used and this will be communicated.

Chief Executive Officer's remuneration in 2023

The Board is acutely conscious of the importance of there being support for senior executive remuneration levels from employees, shareholders and society more widely. Accordingly, remuneration decisions include a consideration of factors including internal pay ratios and scenario analyses as well as feedback received from stakeholders. In this context, the Remuneration Committee has determined the Chief Executive Officer's remuneration for 2023 as detailed overleaf which is consistent with our remuneration principles and the principles of provision 40 of the UK Corporate Governance Code.

Shareholder engagement

Representatives of Jubilant FoodWorks Limited have attended Remuneration Committee meetings during the year and I would like to thank them for their guidance and support for the Committee's decisions during the year. I would also like to thank other shareholders who have provided us with feedback during the year and I am grateful to all shareholders for their support in approving the Annual Remuneration Report at the 2022 AGM.

We value all feedback and look forward to receiving your support at the forthcoming AGM where there will be a vote to approve our Annual Remuneration Report (pages 110 to 120).

David Adams
Chairman of the Remuneration Committee

19 April 2023

Remuneration report continued

Chief Executive Officer's remuneration in 2023 continued

Fixed Remuneration	**2023 salary:** €25,000 p.a. and TRY 8,049,240 p.a. with effect from January 2023 (2022 salary: €25,000 p.a. and TRY 3,633,641 p.a. with effect from January – March 2022, TRY 4,127,816 p.a. with effect from April – June 2022 and TRY 5,366,160 p.a. with effect from July – December 2022)

- The element of the Chief Executive Officer's salary paid in Turkish Lira is reviewed by reference to the salary settlement for other employees based in Turkey and Turkish inflation. Given the current high level of Turkish inflation, periodic salary increases are possible for Turkish employees throughout 2023. The Chief Executive Officer's salary has been increased in line with the average increase for Turkish employees and the increase in the statutory minimum wage effective January 2023 may be subject to further increase(s) in 2023 taking into account inflationary and other factors during the course of 2023. Notwithstanding these adjustments, due to the significant depreciation of the Turkish Lira over recent years, the Chief Executive Officer's January 2023 salary is still worth around 10% less in Pound Sterling than his post-IPO salary was when set at the start of 2018.
- In common with other Turkish employees, the Chief Executive Officer does not receive any pension provision.

Variable Remuneration	**2023 Annual Bonus** • Maximum potential: 100% of salary (unchanged from 2022) • Paid in cash if compliant with shareholding guideline otherwise 40% deferred in shares • Based on EBITDA (75%) and strategic measures (25%) (unchanged from 2022) • Targets are considered commercially sensitive so will be disclosed retrospectively in next year's Remuneration Report **2023-2025 LTIP** • Award level: 100% of salary (unchanged from 2022) • The current intention is that the award will be based 75% on EBITDA with ongoing Remuneration Committee discussions about the appropriate strategically aligned measure for the remaining 25% of the award. The Remuneration Committee will finalise its decision on this matter ahead of the intended grant in May and will disclose details thereafter (2022: 100% based on EBITDA) • The EBITDA element of the award will be based on the same growth target range as the 2022-2024 LTIP (unchanged from 2022) • Awards vest on the third anniversary of grant

- Our strategy in 2023 will be expanding the store network for both Domino's and COFFY, predominantly via solid franchisee demand. Meanwhile, management will remain focused on delivering healthy profitability and improving leverage ratios with a sustained investment in people and digital. The Remuneration Committee considers that the performance measures outlined above provide appropriate alignment with this growth strategy.
- The Chief Executive Officer's 2023 annual bonus opportunity and 2023-25 LTIP award level will be set in line with the normal maximum limits contained in the Remuneration Policy.
- One of our key remuneration principles is that remuneration should complement our mission of delivering sustainable long-term value for shareholders. In that context, the Remuneration Committee considered whether the Chief Executive Officer's 2023 bonus should be partially deferred in shares or whether a holding period should apply to his 2023-2025 LTIP award after vesting. However, given the Remuneration Policy requirement for the Chief Executive Officer to hold at least 5,000,000 shares, the Committee concluded he is already firmly aligned with other long-term shareholders and that, in his case, it would be unnecessary to add these further layers of alignment so long as he remains compliant with his shareholding requirement.

Directors' remuneration policy

DP Eurasia's current Directors' Remuneration Policy was approved at the 2021 AGM. It took effect immediately after the AGM with the intention that it will apply for three years although the Board may seek approval for a new Remuneration Policy at an earlier point, if it is considered appropriate. The Remuneration Policy is set out below with minor textual updates and also updated remuneration scenarios for 2023. The Remuneration Policy text as approved by shareholders is on pages 36 to 46 of the 2020 Annual Report available on our website.

The Remuneration Committee discussed the Remuneration Policy over a series of meetings which considered the strategic priorities of the Group, governance requirements, evolving market practice and remuneration practice amongst the wider workforce. Input was sought from the CEO while ensuring that conflicts of interest were suitably mitigated. An external perspective was provided by our major shareholders and our independent advisers, Deloitte.

Remuneration principles

The aim of DP Eurasia is to attract, retain and motivate the best talent to help ensure continued growth and success in the listed company environment.

The Remuneration Policy aims to align the interests of the Executive Directors to the long-term interests of shareholders and supports a high-performance culture with appropriate reward for superior performance without creating incentives that will encourage excessive risk taking or unsustainable performance. The Remuneration Policy also sets out the remuneration structure of the Non-Executive Directors.

In accordance with Dutch corporate governance, the remuneration of:

- the Executive Directors shall be determined by the Non-Executive Directors with due observance of the Remuneration Policy; and
- the Non-Executive Directors shall be determined by the General Meeting upon a proposal by the Board with due observance of the Remuneration Policy, each at a level that is considered by the Remuneration Committee to be appropriate for the size and nature of the business, in order to ensure that the policies and remuneration structure are appropriate for the listed company environment.

The Remuneration Committee will review annually the remuneration arrangements for the Executive Directors and key senior employees by taking into consideration:

- business strategy over the period;
- overall corporate performance;
- market conditions affecting the Group;
- the recruitment market and the remuneration of the overall employee population;
- changing practice in the markets where the Group competes for talent;
- the pay ratios within the Group; and
- views of institutional shareholders and their representative bodies.

Remuneration components

The remuneration structure for the Executive Directors can consist of: (a) base salary; (b) benefits; (c) pension; (d) annual and deferred bonus; and (e) long-term incentives. To support this aim, the Board has adopted two incentive plans: the annual and deferred bonus plan (the "ADBP") and the long-term incentive plan (the "LTIP"). The remuneration structure of the Non-Executive Directors will consist of a fixed fee.

Directors' remuneration policy continued

Remuneration Policy table for Executive Directors

Component/Purpose and link to strategy	Operation	Maximum	Performance framework
Base salary			

Core element of remuneration set at a level to attract and retain Executive Directors with the experience and expertise needed to develop and implement DP Eurasia's long-term strategy.	An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility.
	
	When determining an appropriate level of salary, the Non-Executive Directors consider:
	• the individual Executive Director's role, experience and performance;
	• the general operational performance of the Group and individual performance (if applicable);
	• the economic environment and the sustainable development of the Group;
	• remuneration structures in companies that are comparable in terms of business activities, complexity and size;
	• any change in scope, role and responsibilities; and
	• remuneration practices within DP Eurasia.
	
	Individuals recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.
		To avoid setting the expectations of Executive Directors and other employees, there is no overall maximum salary for Executive Directors under the Remuneration Policy.
		
		Any increase in salaries will be determined by the Non-Executive Directors, taking into account the factors stated in this table and the following principles:
		• salary increases for Executive Directors will typically be in line with the average salary increase (in percentage of salary terms) for other permanent employees in the country in which the Executive Director is resident;
		• increases may be made above this in certain circumstances, such as:
		  • progression within the role;
		  • increase in scope and responsibility of the role;
		  • increase in experience where an individual has been recruited on a lower salary initially; and
		  • increase in size and complexity of the Group.
			None

Directors' remuneration policy continued

Component/Purpose and link to strategy	Operation	Maximum	Performance framework
Benefits			
To provide market-competitive benefits.	Benefits are role specific and take into account local market practice. The Executive Directors are eligible to receive benefits (or an equivalent cash allowance) including private health cover, medical disability insurance, life assurance, education, communication and IT allowances, mobility allowance or a company car. Executive Directors are entitled to reimbursement of reasonable expenses. The Non-Executive Directors recognise the need to maintain suitable flexibility in the benefits provided to ensure they support the objective of attracting and retaining high-calibre personnel. Additional benefits may therefore be offered, such as reasonable tax advice and support, statutory payments required by local labour laws or consistent with established custom and practice in the local market, relocation allowances on recruitment and other reasonable costs incurred by an individual in relation to their appointment.	There is no overall maximum level, but benefits are set at an appropriate level for the specific nature of the role and depend on the annual cost of providing individual benefits.	None

Directors' remuneration policy continued

Component/Purpose and link to strategy	Operation	Maximum	Performance framework
Pension			
To provide market-competitive retirement benefits.	Executive Directors are eligible to receive a contribution to their personal pension arrangements or direct to their pension plans. Alternatively, Executive Directors may receive a cash allowance in lieu of pension.	Pension provision for Executive Directors will not exceed the standard rate for DP Eurasia employees in the country in which the Director is resident or 10% of salary if there is no relevant employee comparator in that country.	None
LTIP			
To link reward to the achievement of long-term performance and strategic objectives of DP Eurasia and to retain Executive Directors.	The Executive Directors may receive LTIP awards which will usually be made in the form of a contingent award of shares or nil-cost options (and may also be granted as share options or settled in cash). Vesting of the award is dependent on the achievement of performance targets, typically measured over a three-year period. The Non-Executive Directors have the discretion to apply a holding period of two years post-vesting. An additional payment (in the form of cash or shares) may be made in respect of vested shares to reflect the value of dividends which would have been paid on those shares during the period since award (this payment may assume that dividends had been reinvested in DP Eurasia shares on a cumulative basis).	Normal maximum value of 100% of annual base salary based on the market value at the date of grant. In exceptional circumstances, an award worth up to 150% of annual base salary may be granted.	Vesting of LTIP awards is dependent on the achievement of key financial, strategic, ESG and/or operational measures determined by the Non-Executive Directors ahead of each award. For achieving a "threshold" level of performance against a performance measure, no more than 25% of the award will vest. Vesting then increases on a sliding scale to 100% for achieving a stretching maximum performance target.

Directors' remuneration policy continued

Component/Purpose and link to strategy	Operation	Maximum	Performance framework
Annual and deferred bonus ("ADBP")			
To link reward to the achievement of key business objectives of DP Eurasia for the year.	The Executive Directors may participate in the ADBP, which is reviewed annually to ensure bonus opportunity, performance measures, targets and objectives remain appropriate. The Non-Executive Directors determine the level of bonus to be awarded at their discretion, taking into account the extent to which the targets have been met and the overall business and personal performance. Unless an Executive Director is already compliant with their shareholding guideline, 40% of their annual bonus will usually be delivered in shares deferred for two years. Deferred awards are usually granted in the form of a contingent award of shares or nil-cost options (and may also be settled in cash). An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the deferral period (this payment may assume that dividends had been reinvested in DP Eurasia shares on a cumulative basis).	The maximum annual bonus potential is 100% of base salary. Levels of bonus payout for achieving threshold and on-target performance will be set each year by the Non-Executive Directors taking into account the degree of stretch in the performance targets.	The bonus is normally based on performance assessed over one year using appropriate financial, strategic, ESG, operational or other suitable business measures appropriate to the individual Director that are closely aligned with DP Eurasia's strategy and the creation of value for shareholders. The majority of the bonus will be determined by measure(s) of financial performance.

Directors' remuneration policy continued

Component/Purpose and link to strategy	Operation	Maximum	Performance framework
Shareholding guideline			
To provide long-term alignment with shareholder interests.	Whilst in employment, the current Chief Executive Officer will be required to retain a minimum of 5,000,000 shares and any other Executive Director that participates in equity plans will be expected to build up a shareholding worth 200% of salary. The Remuneration Committee will review progress towards the guideline on an annual basis and have the discretion to adjust the guideline in what it feels are appropriate circumstances. Executive Directors who participate in equity plans will also be required to maintain a shareholding worth 200% of salary for two years after stepping down as a Director. This requirement will apply to all equity awards (post-tax) that vest after the approval of this Remuneration Policy at the 2021 AGM. The Non-Executive Directors will retain discretion to amend or waive this guideline if it is not considered appropriate in the specific circumstances.	Not applicable	Not applicable

Fee arrangements for Non-Executive Directors

Purpose and link to strategy	Operation	Maximum
Provides a level of fees to support recruitment and retention of high calibre Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring DP Eurasia's strategic objectives.	Shareholder approval was received at the 2021 AGM for a fee structure that currently applies to all Non-Executive Directors. A resolution will be put to the 2023 AGM for a revised fee structure. The Chairman of the Board receives an all-inclusive fee. Other Non-Executive Directors, apart from representatives of Jubilant FoodWorks Limited, receive a basic Board fee and an additional fee for additional responsibilities such as acting as the Senior Independent Director or for chairmanship of a Board Committee. Expenses incurred by the Non-Executive Directors reasonably required for the performance of their duties may be reimbursed. Non-Executive Directors do not participate in any variable remuneration arrangements and will not be awarded remuneration in the form of shares and/or rights to shares.	Fees are set at an appropriate level that is market competitive and reflective of the responsibilities and time commitment associated with specific roles.

Directors' remuneration policy continued

Discretion

Non-Executive Directors will operate the ADBP and LTIP according to their respective rules, including flexibility in a number of regards. These include:

- when to make awards and payments;
- how to determine the size of an award or a payment, or when and how much of an award should vest;
- who receives an award or payment;
- how to deal with a change of control or restructuring of the Group;
- whether a participant is a good/bad leaver for incentive plan purposes, and whether and what proportion of awards vest and timing of delivery;
- how and whether an award (or an award of shares outlined in this Remuneration Policy that is yet to be granted) may be adjusted in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- what the weighting, measures and targets should be for the ADBP and LTIP from year to year.

If an event occurs which causes the Non-Executive Directors to determine that a performance condition is no longer appropriate, the Non-Executive Directors have discretion under the rules of the ADBP and LTIP to substitute or vary that performance condition in such manner as is reasonable in the circumstances and produces a fairer measure of performance that is not materially less difficult to satisfy than if the event had not occurred.

Prior to any payment or vesting under the ADBP and LTIP, the Non-Executive Directors will review the underlying financial performance of the Group over the performance period, and the non-financial performance of the Group and participants, to ensure the payment or vesting is justified. Following this review, the Non-Executive Directors have the discretion to amend the final payment/vesting level if they do not consider that it is appropriate.

The Non-Executive Directors may make minor amendments to the Remuneration Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Legacy awards

The Non-Executive Directors reserve the right to make any remuneration payments notwithstanding that they are not in line with this Remuneration Policy where the terms of the payment were agreed: (i) before this Remuneration Policy came into effect, provided that the terms of the payment were consistent with the approved Remuneration Policy at the time they were agreed; or (ii) at a time when the relevant individual was not an Executive Director of DP Eurasia and, in the opinion of the Non-Executive Directors, the payment was not in consideration for the individual becoming an Executive Director of DP Eurasia. For these purposes, "payments" includes the Non-Executive Directors satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Choice of performance measures and approach to target setting

Non-Executive Directors set performance metrics under both the ADBP and the LTIP which are clearly aligned to DP Eurasia's strategy and are usually part of its KPIs. Any personal objective performance measures within the ADBP are also directly linked to key strategic objectives.

Targets are set at the start of each performance period by the Non-Executive Directors taking into account relevant internal and external reference points and are designed to be appropriately stretching.

Directors' remuneration policy continued

Remuneration scenarios

The charts on the left show hypothetical values of the 2023 remuneration package for the current Executive Directors in the Remuneration Policy under four assumed performance scenarios.

The Remuneration Committee regularly reviews the impact of different performance scenarios on the potential reward opportunity and payouts to be received by Executive Directors and the alignment of these with long-term value creation for shareholders.

The Remuneration Committee believes that the level of remuneration that can be delivered in the various scenarios is appropriate for the level of performance delivered and the value that would be delivered to shareholders.

Assumptions

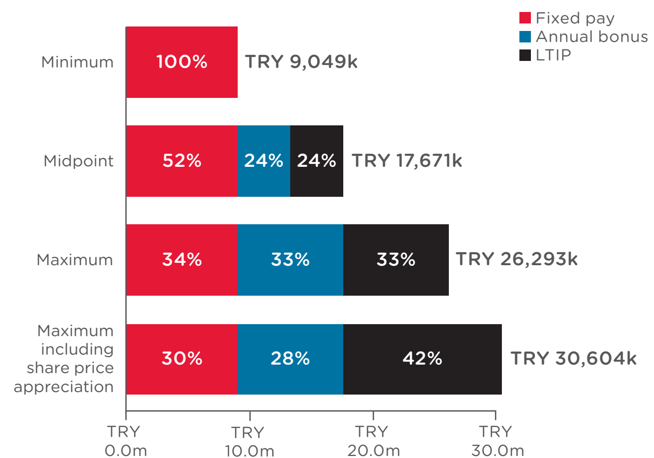
Fixed pay

- Salary: as set out on page 98.
- Pension: Frederieke Slot 10% of base salary.
- Benefits: estimate based on -2022 reported taxable benefits.

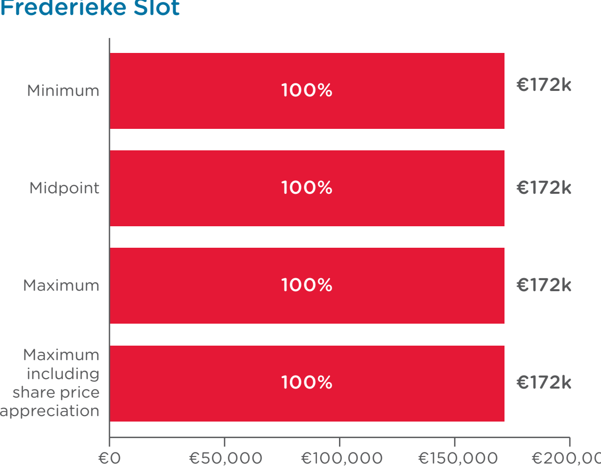
Variable pay

- ADBP: maximum of 100% of base salary for Aslan Saranga (assumed half of maximum paid as midpoint); Frederieke Slot will not participate in the ADBP in 2023.
- LTIP: maximum award of 100% of base salary for Aslan Saranga (assumed half of maximum vests as midpoint); Frederieke Slot will not receive an LTIP award in 2022.
- No share price growth or dividend accrual considered other than in the final scenario which shows the value if 50% share price appreciation is assumed over the three-year performance period of the LTIP awards.

Aslan Saranga



Frederieke Slot



New appointments

In the event of appointing a new Executive Director to the Board, the Non-Executive Directors will generally align their remuneration package with the Remuneration Policy table set out in this Remuneration Policy. Where appropriate, the Non-Executive Directors may apply their discretion in the following regards:

- ADBP – in the first year of employment, different performance measures and targets may be set to those of the other Executive Directors, depending on the timing and scope of any appointment. In order to facilitate the recruitment, the Non-Executive Directors may deem it necessary to guarantee a level of bonus, in compensation for any bonus forgone at their current employer. This guarantee will be limited to the bonus in relation to the first year of employment;
- LTIP – in the first year of employment, different performance measures and targets may be set for the LTIP to those of the other Executive Directors, depending on the timing and scope of any appointment;
- buy-out awards – to potentially facilitate the recruitment through the buy-out of existing awards and compensation arrangements that are forfeited on cessation of employment from their current employer, the Non-Executive Directors will retain the ability to make a one-off buy-out award. In doing so, the Non-Executive Directors will take account of all relevant factors, including any performance conditions attached to incentive awards, the likelihood of those conditions being met, the proportion of the vesting/performance period remaining and the form of the award (e.g. cash or shares). The overriding principle will be that any replacement buy-out award should be of comparable commercial value to the compensation which has been forfeited. Shareholders will be informed of any such payments at the time of appointment;

Directors' remuneration policy continued

- in the case of internal appointments or appointments following the Group's acquisition of or merger with another company or business, any variable pay element or legacy arrangements in respect of the prior role would normally be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment; and
- in the event that a Non-Executive Director is required to temporarily take on the role of an Executive Director, his/her remuneration may include any of the elements listed in the Remuneration Policy table for Executive Directors.

In the event of the appointment of a new Non-Executive Director, his/her fee will be set in accordance with the fee arrangements for Non-Executive Directors as approved by the General Meeting.

Malus and clawback

Pursuant to Dutch law and best practice UK corporate governance, the Non-Executive Directors have the right to reduce payments that are not yet paid out and to reclaim payments pertaining to these events that have already been paid out. The Non-Executive Directors may furthermore adjust the variable remuneration to an appropriate level if payment thereof is unacceptable according to the requirements of reasonableness and fairness.

The ADBP and the LTIP include best practice malus and clawback provisions. Malus is the adjustment of unpaid bonus and deferred share awards under the ADBP and outstanding LTIP awards. The adjustment may result in the value being reduced to nil. Clawback is the recovery of payments or vested awards under the ADBP and vested LTIP awards. Malus and clawback can be enacted as a result of the occurrence of the following events:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any performance condition or condition in respect of an ADBP and LTIP award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the cash payment under the ADBP or the number of shares subject to an ADBP or LTIP award was based on error, or inaccurate or misleading information;
- in the event of a business failure;
- action or conduct of a participant which amounts to fraud or gross misconduct; or
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

Clawback may apply to all or part of a participant's award and may be affected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

Payment for loss of office

Pursuant to the UK Corporate Governance Code, Directors should retire and stand for re-election each year. Therefore, the management agreements have been concluded for a definite period ending by operation of law on the day after the Annual General Meeting to be held in the next year. If a Director is reappointed by the General Meeting in accordance with the Articles for an additional period of one year until the end of the Annual General Meeting to be held in the next year, the management agreement shall automatically be extended for such an additional period. This applies mutatis mutandis to any subsequent reappointments.

Executive Directors will, under their contract, not normally be entitled to be paid a severance payment upon termination that exceeds one year's annual base salary (the fixed remuneration) in the preceding financial year. No contractual severance payment will be awarded in the event of seriously culpable or negligent behaviour on the part of the Executive Director.

Aslan Saranga's contract provides for an additional compensation payment of one year's annual base salary payable only in the event that termination of his employment is due to him being unable to work because of a health condition. This is a legacy clause in Mr Saranga's Turkish contract which will not be replicated in any future Executive Director's contract.

Where a contract is to be terminated, the Non-Executive Directors will determine such mitigation (if required) as they consider fair and reasonable in each case. The Non-Executive Directors reserve the right to make additional payments where such payments are made in good faith in discharge of an existing statutory or legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. Any such payments may include, but are not limited to, paying statutory severance compensation, any fees for outplacement assistance and/or the Executive Director's legal and/or professional advice fees in connection with his or her cessation of office or employment. Payment would also be made for any outstanding vacation days unused at the date of cessation of employment.

Directors' remuneration policy continued

Payment for loss of office continued

The incentive schemes, the ADBP and the LTIP are subject to standard good/bad leaver terms. A good leaver reason is defined as cessation in the following circumstances: death, ill-health, injury or disability, retirement, redundancy, employing company ceasing to be a Group company, transfer of employment to a company which is not a Group company or at the discretion of the Non-Executive Directors.

The table below provides a summary of the treatment of incentive remuneration in the event of cessation of employment or a change of control before awards vest or become exercisable (full details are contained in the ADBP and LTIP plan rules). Cessation of employment or a change of control during an award's holding period does not affect an individual's right to that award.

Plan	Treatment for good leaver	Treatment for any other leaver	Treatment on a change of control/voluntary winding up/demerger
ADBP – cash bonus	Performance will usually be measured at the bonus measurement date based on appropriate performance measures as determined by the Remuneration Committee. Bonus will be pro-rated for the period worked during the financial year unless the Non-Executive Directors, at their discretion, determine otherwise. Any bonus may, at the Remuneration Committee's discretion, be paid entirely in cash.	No bonus payable in relation to year of cessation.	The Non-Executive Directors have discretion to determine the bonus taking into account such factors as they consider appropriate, including the extent to which any applicable performance conditions have been satisfied. Bonus will be pro-rated for the period of the financial year elapsed unless the Non-Executive Directors, at their discretion, determine otherwise.
ADBP – deferred share bonus and LTIP	Awards will usually vest on a time-apportioned basis on the normal vesting date subject to any relevant performance condition(s) measured over the full performance period. However, in the event of death, or at the Non-Executive Directors' discretion, awards may vest early taking into account such factors as they consider appropriate including the extent to which any applicable performance conditions have been satisfied. The Non-Executive Directors have the discretion, acting fairly and reasonably, to dis-apply time apportionment.	Outstanding awards lapse.	The Non-Executive Directors have the discretion to determine the proportion of the award which vests taking into account, among other factors, the period of time the award has been held by the Executive Director and the extent to which any applicable performance conditions have been satisfied.

The Non-Executive Directors will apply discretion where there is an appropriate business case, which will be explained in full to shareholders. Payments in the event of a change of control will be subject to applicable law in force at the time of the change of control.

All Non-Executive Directors have an agreement with DP Eurasia ending at the end of the AGM in the third year following their appointment to the Board. No compensation is payable on termination, except for fees and expenses accrued to date.

Directors' remuneration policy continued

Differences in remuneration between Executive Directors and other employees

The overall remuneration package for the Chief Executive Officer is structured so that the variable performance-related pay element forms a more significant portion compared to pay for other employees. This Remuneration Policy is to ensure there is a clear link between the individual and corporate performance achieved, the value this creates for shareholders and overall reward. The weighting of variable pay will vary based on the seniority of the individual, the role and specific responsibilities. Whilst annual bonuses are offered to a large number of employees, LTIP awards are targeted at individuals with roles that have the most influence on overall value creation.

Consideration of conditions elsewhere in DP Eurasia

Although there is no active consultation with employees on matters relating to the Directors' remuneration, the Remuneration Committee and other Non-Executive Directors are kept informed of employee pay and employment conditions and this is factored into deliberations when setting the Remuneration Policy for Executive Directors. The Group-wide salary increase budget and the proposed increase for employees of such country within which the Executive Directors operate or reside, will be considered by the Non-Executive Directors when determining any basic salary increase for Executive Directors.

Consideration of shareholder views

The Board members appointed by our longest shareholder at the time when the Remuneration Policy was discussed (Fides Food Systems) had representatives at the Remuneration Committee meetings; accordingly, the structure of this Remuneration Policy was subject to significant consultation with them. In addition, this Remuneration Policy has been structured with regard to the views of major institutional shareholders and leading advisory bodies.

Annual remuneration report

The annual remuneration report sets out how DP Eurasia's Remuneration Policy (pages 99 to 109) will be implemented in 2023 and how it was implemented in 2022.

Implementation of the Remuneration Policy in 2023

Executive Directors

DP Eurasia has two Executive Directors: the Chief Executive Officer (Aslan Saranga) and the Company Secretary (Frederieke Slot). Aslan Saranga has a remuneration package comprising a mixture of fixed pay and variable pay; Frederieke Slot solely receives fixed pay.

As described in the Statement from the Chairman of the Remuneration Committee, the Remuneration Committee reviews Aslan Saranga's base salary taking into consideration Turkish inflation and the salary settlement for other employees based in Turkey. His increase for 2023 is consistent with this policy and more details are set out in the Committee Chair's statement. Frederieke Slot's salary was reviewed with reference to inflation in the Netherlands.

Base salary

Executive Director	Base Salary	
	January 2023	July 2022
Aslan Saranga	TRY 8,049,240 +EUR 25,000	TRY 5,366,160[1] +EUR 25,000
Frederieke Slot[2]	EUR 135,707	EUR 129,245

(1) This figure is the Group CEO's salary following the last salary adjustment in 2022. Consistent with other Turkish headquarters employees, his salary was increased in January, April and July during 2022 at a rate consistent with the increase in the statutory minimum wage. Further details are on page 113.

(2) Frederieke Slot's salary change is effective from April 2023.

Pension and benefits

Frederieke Slot receives a pension allowance worth 10% of base salary. Aslan Saranga receives no pension allowance. They will additionally both receive other benefits consistent with local market practice.

ADBP

In 2023, Aslan Saranga will be able to receive an annual bonus of up to 100% of salary. It is currently envisaged that it will be based on Group adjusted EBITDA (75%) and strategic measures (25%). 40% of any bonus earned will be deferred into shares for two years unless he is compliant with his "in-employment" shareholding requirement when the bonus is determined, in which case his bonus will be settled wholly in cash. Frederieke Slot will not participate in the ADBP in 2023.

The Remuneration Committee has discretion to override the formulaic outturn of the ADBP where such an approach is felt to be appropriate taking into account all relevant factors.

Malus and clawback may be applied to a bonus up to three years from the determination of the bonus.

Annual remuneration report continued

LTIP

Aslan Saranga will receive an LTIP award over shares worth 100% of salary in 2023 with vesting on the third anniversary of grant. Frederieke Slot will not receive an LTIP award in 2023.

It is currently intended that 75% of the award will be determined by adjusted Group EBITDA growth (excluding DP Russia consistent with its treatment as a discontinued operation in the financial statements) measured over the period 2023-2025. The Remuneration Committee agreed to continue using growth targets (rather than cumulative targets) as for the 2022-24 LTIP award, given the anticipated continuation of high Turkish inflation. Targets for growth are set as 0% vesting for 0% CAGR growth increasing to 100% vesting for 7.5% CAGR growth.

The Remuneration Committee is having ongoing discussions about the appropriate strategically aligned measure for the remaining 25% of the award. The Remuneration Committee will finalise its decision on this matter ahead of the intended grant in May and will disclose details of the measure and its targets thereafter.

The Remuneration Committee has discretion to override the formulaic outturn of the LTIP where such an approach is felt to be appropriate taking into account all relevant factors.

Malus and clawback may be applied to LTIP awards up to two years following the vesting date.

Non-Executive Directors

Non-Executive Director fees were determined by the General Meeting upon proposal of the Board. At the 2021 AGM, shareholders approved the fee table set out below.

	Annual fee (GBP)
Chairman of the Board	150,000
Basic Non-Executive Director fee	30,000
Audit Committee Chairman additional fee	2,000
Remuneration Committee Chairman additional fee	2,000
Senior Independent Director additional fee	2,000

Shareholder approval will be sought at the 2023 AGM for a slightly revised fee structure – details will be contained in the upcoming Notice of Annual General Meeting.

In addition, the Non-Executive Directors are reimbursed for expenses that are reasonably required for the performance of their duties.

Annual remuneration report continued

Total remuneration

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for 2022.

Year ending 31 December 2022	Base Salary & Fees TRY	Benefits TRY	Pension TRY	Total Fixed Remuneration TRY	Total Fixed Remuneration %	Annual Bonus TRY	Long-term incentives TRY	Total Variable Remuneration TRY	Total Variable Remuneration %	Total TRY	Total local currency
Executive Directors											
Aslan Saranga	5,057,348	427,428		5,484,776	34%	5,800,063	4,766,765	10,566,828	66%	16,051,604	₺16,051,604
Frederieke Slot	2,243,180	399,189	224,318	2,866,687	100%					2,866,687	€165,169
Non-Executive Directors											
Peter Williams	3,046,890			3,046,890	100%					3,046,890	£150,000
David Adams	731,254			731,254	100%					731,254	£36,000
Burak Ertaş	343,923			343,923	100%					343,923	£16,932
Ahmet Ashaboğlu	170,292			170,292	100%					170,292	£8,384
Shyam S.Bhartia	—	—	—			—	—			0	—
Hari S.Bhartia	—	—	—			—	—			0	—

Local currency totals

Part of Aslan Saranga's remuneration and the whole of Frederieke Slot's remuneration are paid in Euros and Peter Williams, David Adams, Burak Ertaş and Ahmet Ashaboğlu remuneration is wholly paid in Pound Sterling. Total amounts received by each individual in local currency are recorded in the final line of the above table. In the other lines of the table, remuneration has been converted into Turkish Lira for consistency with the financial statements.

Annual remuneration report continued

Notes to the table on page 112 – methodology

Base salary/fees

This represents the cash paid or receivable in respect of the financial year.

1. Executive CEO Aslan Saranga's salary consists of both salary (TRY 4,623,445) and €25,000 management fee (converted to TRY 433,903 in the above table). The salary element comprises TRY 3,633,641 p.a. with effect from January – March 2022, TRY 4,127,816 p.a. with effect from April – June 2022 and TRY 5,366,160 p.a. with effect from July – December 2022. As explained in the Committee Chair's statement, the sustained high inflationary environment in Turkey required additional salary reviews during 2022 to ensure that affected employees were fairly protected from the negative effects of high inflation.
2. Burak Ertaş was appointed as Independent Non-Executive Director as of 8 June 2022; his fee is paid proportionally for 2022. His annual fee is £30,000.
3. Ahmet Ashaboğlu was appointed as Independent Non-Executive Director as of 20th September 2022; his fee is paid proportionally for 2022. His annual fee is £30,000.

Benefits

This represents the taxable value of all benefits paid or receivable in respect to the relevant financial year. Aslan Saranga's benefits included private health cover, company car and lunch ticket. Frederieke Slot's benefits included medical disability allowance, mobility allowance and education, communication and IT allowances.

Pension

Aslan Saranga receives no pension provision; Frederieke Slot received a pension allowance worth 10% of base salary.

Annual bonus

This represents the total bonus payable for the relevant financial year under the ADBP. In 2022, the Chief Executive Officer's annual bonus was based 75% on the adjusted Group EBITDA and 25% on strategic measures.

1. Adjusted Group EBITDA (75% weighting)

As explained in the Committee Chair's statement, the Remuneration Committee agreed that the hyperinflationary environment made the setting of robust annual EBITDA targets impossible for 2022. Instead, the Committee set EBITDA targets at the start of each quarter which were more accurately able to incorporate the prevailing level of inflation and therefore provide a stretching level of challenge. The strong financial performance described elsewhere in this Annual Report meant that the maximum target was exceeded.

Performance measure	Threshold performance	Maximum performance	Actual performance	% of max payable
Adjusted EBITDA (with IFRS 16)	TRY 264.9m[1]	TRY 331.1m[1]	TRY 359.1m	100% (75% of salary)
	Zero payout	100% payout		

(1) Targets shown in this table are an amalgamation of the four quarterly targets set for 2022: Threshold Q1: TRY 51.8 million; Q2: TRY 58.2 million; Q3: TRY 71.1 million Q4: TRY 83.8 million. Maximum Q1: TRY 64.8 million; Q2: TRY 72.7 million; Q3: TRY 88.9 million; Q4 TRY 104.7 million.

Annual remuneration report continued

2. Strategic targets (25% weighting)

Targets set for the CEO for 2022 related to key areas of strategic development.

1. One Digital: Creating future operating model and structure (10% weighting): To strengthen our food tech company perspective and increase digital share in sales, a new operating model has been successfully introduced which contains restructured digital architecture to activate additional features in online channels. As a result, we achieved 1.6% inflation adjusted (pre-IAS 29: 75.7%) growth in digital channels and online delivery system sales as a share of delivery system sales reached 81.2% for the year, which represents a 4.9 percentage point increase on a year-on-year basis. In order to successfully build this structure, digital organisation has been strengthened: in particular new leaders were hired, and IT employee turnover decreased significantly.
2. Development and management of Top-level Management (7.5% weighting): In DP Turkey, the top-level management development program has been continued successfully: there was no turnover in the leadership team and recent joiners have been successfully integrated and delivered strong performance. The Group also started to build its future organisation and business model for a multi country and multi brand base and agreed to work with a well-known HR consultancy company. This project helped leaders to function in a more productive way identifying decision making matrix and critical KPI's. DP Russia started 2022 with new leaders in the team and new structures: despite a highly challenging political backdrop, strategy was kept in line and, although sales fell, franchisees did not leave the business.
3. COFFY Business (7.5% weighting): COFFY strengthened its presence in the Turkish market with successful delivery of an accelerated expansion programme as the store network reached 29 stores in five cities by the year end. COFFY's proven sales performance has generated strong ongoing franchisee demand.

In aggregate, the Remuneration Committee agreed that these strategic targets had been met to a high degree and accordingly agreed 100% achievement (25% of salary) for the Chief Executive Officer's performance against these strategic targets.

The overall formulaic outcome of the bonus was 100% of maximum available, namely 100% of salary. At its meeting on 22 February 2023, the Remuneration Committee gave careful consideration to this outcome in the context of a broad range of factors, including hyperinflation in Turkey, the strong trading performance and strategic progress outlined elsewhere in the Annual Report, share price performance and the experience of our other stakeholders during the year. Following this assessment, the Committee was satisfied that the bonus outcome was appropriate, and that no discretionary adjustment was required.

Due to the hyperinflationary environment, the Remuneration Committee determined that it was fair to use salary levels prevailing at 31 December 2022 as the basis for calculating annual bonus for all Turkish headquarters employees, including the CEO. Accordingly, the CEO's maximum bonus opportunity was TRY 5,800,063 (being 100% of his December 2022 salary of TRY 5,366,160 p.a. plus his €25,000 p.a. management fee (converted to TRY 433,903 as in the single figure table).

Long-term incentive

This column relates to the value of LTIP awards whose performance period ends in the period under review. The vested value is an estimate based on the average share price in Q4 2022 of 0.43 GBP and an average exchange rate in Q4 2022 of GBP1: TRY21.87.

In May 2020, Aslan Saranga was granted an LTIP award over 506,212 shares vesting in May 2023 subject to achievement of adjusted EBITDA targets measured over the period 2020-2022.

As explained in the Committee Chair's statement, the Committee agreed two amendments to the original targets in order that the principles underlying the targets were consistent with the accounting changes in the 2022 financial statements, namely the adoption of IAS 29 and the treatment of DP Russia as a discontinued operation.

- The original targets were adjusted upwards to reflect actual Turkish inflation in 2022 rather than the materially lower level originally budgeted for 2022.
- As a discontinued operation, DP Russia was removed from both the targets and outcome for performance in 2022. The Committee agreed that its performance should though remain in the assessment for both 2020 and 2021 which pre-date the accounting change.

Annual remuneration report continued

	Original target	Revised target[1]	Actual[1]	%of award vesting
	Adjusted Group cumulative EBITDA	Adjusted Group cumulative EBITDA	Adjusted Group cumulative EBITDA	
2020 LTIP award			513.5	100%
Threshold (0% vests)	TRY 330.2m	TRY 378.5m		
Maximum (100% vests)	TRY 369.1m	TRY 423m		

(1) Excluding IFRS 16 and excluding DP Russia in 2022.

The Committee was satisfied that this outcome was consistent with the strong performance of the business over the past three years. It also noted that all previous LTIP awards granted to the CEO since IPO had vested at zero. The Committee also considered current shareholder guidance on windfall gains and noted its previous decision to use an extended twelve-month average share price for the 2020-2022 LTIP award had reduced the original grant date value of the award from 100% to 75% of salary. Having considered all of these factors, the Committee agreed that no discretionary adjustment was required.

2021 Directors' remuneration table

				Total Fixed Remuneration				Total Variable Remuneration			
Year ending 31 December 2021	Base Salary & Fees TRY	Benefits TRY	Pension TRY	TRY	%	Annual Bonus TRY	Long-term incentives TRY	TRY	%	Total TRY	Total local currency
Executive Directors											
Aslan Saranga[1]	3,013,325	1,567,657		**4,580,982**	**71%**	1,868,262	—	**1,868,262**	**29%**	**6,449,244**	**₺6,449,244**
Frederieke Slot[2]	1,052,560	239,721	21,930	**1,314,211**	**100%**	—	—	—	—	**1,314,211**	**€145,918**
Non-Executive Directors											
Peter Williams[3]	1,514,515	—	—	**1,514,515**	**100%**	—	—	—	—	**1,514,515**	**£125,000**
Tom Singer[4]	350,863	—	—	**350,863**	**100%**	—	—	—	—	**350,863**	**£28,958**
David Adams[5]	415,987	—	—	**415,987**	**100%**	—	—	—	—	**415,987**	**£34,333**
Shyam S. Bhartia	—	—	—	—	—	—	—	—	—	—	—
Hari S. Bhartia	—	—	—	—	—	—	—	—	—	—	—
Pratik R. Pota	—	—	—	—	—	—	—	—	—	—	—

Annual remuneration report continued

Notes to the table on page 115 – methodology

Base salary/fees

This represents the cash paid or receivable in respect of the financial year.

1. Executive CEO Aslan Saranga's salary consists of both salary and €25,000 management fee.
2. In local currency, Frederieke Slot's salary is €123,090 effective from 2021 AGM. She voluntarily accepted a 12% reduction in her salary starting from February to support the business.
3. The Chairman, Peter Williams, voluntarily agreed to a temporary £25,000 reduction in his fee for 2021 to £125,000 in response to the economic size of the business, market cap and profitability.
4. Tom Singer worked as Senior Independent Director, Audit Committee Chairman and Remuneration Committee Chairman for 5 months in 2021 and his fee is £69,500 annually (including additional fees for his positions).
5. David Adams appointed as Audit Committee Chairman and Remuneration Committee Chairman effective from 2021 AGM.

Payments to past Directors and payments for loss of office

There were no payments to past Directors nor payments for loss of office to Directors during the year ended 31 December 2022.

Statement of Directors' shareholdings and share interests

The table below shows the Directors' share ownership as of 31 December 2022.

For the duration of the Remuneration Policy, the Chief Executive Officer is required to retain a minimum of 5,000,000 shares. He is currently compliant with this requirement. As the Company Secretary does not currently participate in the ADBP or LTIP, she is not currently subject to a shareholding guideline.

Director	Shares owned outright at 31 Dec 2022 (number of shares)	Outstanding share awards granted under LTIP at 31 Dec 2022 (number of shares)
Aslan Saranga[(1)]	8,106,310	1,374,485
Frederieke Slot	–	–
Peter Williams	131,776	–
David Adams	–	–
Burak Ertaş	–	–
Ahmet Ashaboğlu	–	–
Shyam S.Bhartia	–	–
Hari S.Bhartia	–	–

(1) Aslan Saranga owns shares through his wholly owned entity Vision Lovemark Coöperatief U.A.

Between 31 December 2022 and the date of this report, there were no changes in the shareholdings outlined in the above table.

Annual remuneration report continued

Aslan Saranga was granted an LTIP conditional share award which will vest in June 2025. As discussed in the Committee Chair's statement, the Committee agreed that this LTIP award should be 100% based on adjusted EBITDA growth (excluding DP Russia) using IAS 29 adjusted figures.

Aslan Saranga was entitled to receive an award worth 100% of base salary which resulted in 394,702 shares with a face value of TRY 4,455,775 based on a share price of 0.54 GBP (6 June 2022) and an exchange rate of GBP1: TRY20.79 (6 June 2022).

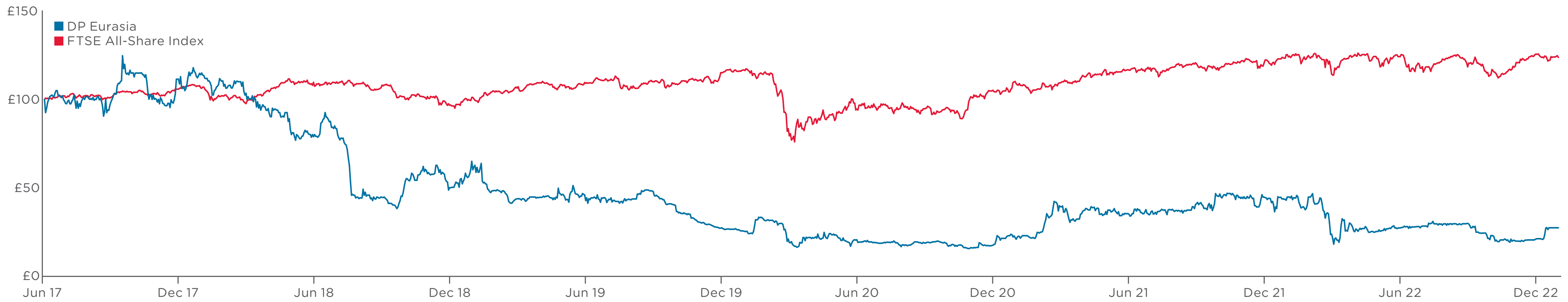
Performance conditions for the award, to be assessed over the three year period to 31 December 2024, are set out below.

	Adjusted Group EBITDA growth (excluding DP Russia) 2022-2024 100% weighting	Proportion vesting
Threshold	0% CAGR	0%
Maximum	7.5% CAGR	100%

Performance graph and Chief Executive Officer remuneration table

The chart compares the total shareholder return ("TSR") performance of DP Eurasia during the period since the IPO to the FTSE All-Share Index. This index has been chosen because it is a recognised equity market index of which DP Eurasia is a member.

DP Eurasia's total shareholder return compared against total shareholder return of the FTSE All-Share Index since Admission on 3 July 2017



The table below shows the total remuneration payable to the Chief Executive Officer as a percentage of the maximum opportunity.

	Year ended 31 Dec 2018	Year ended 31 Dec 2019	Year ended 31 Dec 2020	Year ended 31 Dec 2021	**Year ended 31 Dec 2022**
Chief Executive Officer total remuneration (TRY)	2,929,266	3,215,510	2,731,591	6,449,244	**16,051,604**
ADBP payout (% of maximum)	49%	41%	0%	62%	**100%**
LTIP vesting	n/a (no award vested during 2018)	n/a (no award vested during 2019)	—	—	**100%**

Annual remuneration report continued

Percentage change in remuneration of the DP Board members and average employee

The table below illustrates the percentage change in annual salary, benefits and bonus between 2019 and 2022 for all Board members including the Chairman and the average for all other Turkish headquarters employees. Since DP Eurasia has no employees in the parent company and the Chief Executive Officer resides in Turkey, Turkish employees are chosen as the comparator.

	Salary change			Benefits change			Annual bonus change		
	2019-2020	2020-2021	**2021-2022**	2019-2020	2020-2021	**2021-2022**	2019-2020	2020-2021	**2021-2022**
Average for all Turkish headquarters employees	15%	19%	**104%**	10%	28%	**127%**	130%	91%	**48%**
Executive Directors									
Aslan Saranga	10%	20%	**68%**	27%	621%	**(73%)**	(100%)	n/a	**209%**
Frederieke Slot	(3%)	1%	**13%**	0%	0%	**0%**	—	—	**—**
Chairman & Non-Executive Directors									
Peter Williams	(3%)	(14%)	**20%**	—	—	**—**	—	—	**—**
David Adams	—	—	**5%**	—	—	**—**	—	—	**—**
Burak Ertaş	—	—	**—**	—	—	**—**	—	—	**—**
Ahmet Ashaboğlu	—	—	**—**	—	—	**—**	—	—	**—**
Shyam S.Bhartia	—	—	**—**	—	—	**—**	—	—	**—**
Hari S.Bhartia	—	—	**—**	—	—	**—**	—	—	**—**

Notes to the table

- This table compares data between 2019 and 2022.
- Changes are all in local currency. The increase in Turkish salaries and CEO salary reflect Turkish inflation and exchange rates effect.
- Frederieke Slot agreed a 12% reduction in her salary for 2021.
- Peter Williams agreed a GBP 25,000 reduction in his fee for 2021.
- David Adams got partial fee for Committees in 2021.
- As explained in this report, the Chief Executive Officer's annual bonus is based on Group adjusted EBITDA (75%) and strategic targets (25%). It paid out at 100% of maximum for 2022 compared to 62% for 2021.
- Chief Executive Officer Aslan Saranga was paid a statutory payment of TRY 1,154K in 2021 as one-off benefit so that year-on-year percentage is negative.
- All other Turkish employees benefit from a structured performance management system: the bonus earned is affected by both the performance of the Turkish business (measured by five KPIs) and success rates against individual targets. Company performance directly impacts the bonus amount to be distributed; above or below target realisation will increase or decrease the bonus pool accordingly. Changes reflect the Turkish business company KPI effect in the bonus pool.

Annual remuneration report continued

Internal pay ratio 2022

The internal pay ratio between the average pay of DP Eurasia employees vis-a-vis the average pay of the CEO and the Executive Directors was calculated based on the average remuneration of the Group vis-a-vis remuneration (including all components) of the CEO, and average remuneration (including all components) of the Executive Directors in 2022.

The pay ratio is 73:1 (2021: 50:1) for the CEO Aslan Saranga and 43:1 (2021: 31:1) for the Executive Directors. The difference is derived from increase in variable remuneration of Group CEO and TRY-Euro exchange effect. For reference, the above pay ratio disclosure is for compliance with Dutch corporate governance. As DP Eurasia has no UK employees, the Board decided that it was inappropriate to also include the pay ratio disclosures set out in UK legislation (The Companies (Miscellaneous Reporting) Regulations 2018).

Relative importance of the spend on pay

The table below illustrates the total expenditure on pay for all of the Group's employees compared to dividends payable to shareholders in respect of the year ending 31 December 2022. A 2021 comparative figure is also provided.

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Total staff costs (further details are provided in Note 5 to the consolidated financial statements (page 149))	**TRY 290,817m**	TRY 153,380m
Total dividends	**—**	—

Consideration by Directors of matters relating to Directors' remuneration

The Remuneration Committee is responsible for reviewing and making recommendations to the Board regarding the Remuneration Policy and for reviewing compliance with the Remuneration Policy. The Remuneration Committee consisted of David Adams, Burak Ertaş (after June 2022) and Peter Williams during the year ending 31 December 2022, The Remuneration Committee met on five occasions during the period between 1 January 2022 and 31 December 2022.

Workforce engagement

DP Eurasia's approach to investing in, and engaging, the workforce is explained in the Stakeholder engagement and Culture in action sections of this report on pages 38 to 41.

The Remuneration Committee was also updated for Company-wide salary increases and levels of annual bonus for the general employee population so that they can compare the Executive Directors' total remuneration with the wider workforce.

Internal advice

The Chief Executive Officer, the Human Resources Director and representatives of DP Eurasia's major shareholder, Jubilant Foods, joined Remuneration Committee meetings to provide valuable input. The Company Secretary acted as secretary to the Remuneration Committee. No individual was present when their own remuneration was being discussed.

Annual remuneration report continued

External advice

Following the IPO, Deloitte LLP was appointed by DP Eurasia to provide advice on executive remuneration matters and it continued to do so during 2022. The Remuneration Committee received independent and objective advice from Deloitte, principally on the preparation of the remuneration report, 2022 LTIP grant, 2020-2022 LTIP vesting, 2022 annual bonus of Group CEO and on queries raised by the Remuneration Committee Chairman. Deloitte also joined Remuneration Committee meetings by phone. Deloitte was paid £24,250 in fees during the period ending 31 December 2022 for these services to the Remuneration Committee (charged on a time plus expense basis). DP Eurasia also works with Deloitte in GDPR compliance regarding administrative and technical (IT) requirements. Deloitte is a founding member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is satisfied that the Deloitte engagement partner and advisory team that provide remuneration advice to the Committee do not have any connections with DP Eurasia or individual Directors that may impair their independence.

External Board appointments

Executive Directors are normally entitled to accept external appointments outside DP Eurasia with the consent of the Non-Executive Directors. Any fees received may be retained by the Executive Director. As at the date of this report, neither of the Executive Directors held an external appointment for which they received a fee.

Shareholder voting on remuneration report resolutions:

	Votes for	Votes against	Votes withheld
Approval of the Annual Report on Remuneration			
2022 AGM	103,666,032 (100%)	0 (0%)	0
Approval of Adoption of new Directors' Remuneration Policy			
2021 AGM	82,075,046 (93%)	6,211,574 (7%)	0

On behalf of the Board

David Adams
Chairman of Remuneration Committee

19 April 2023

Board declaration

The Board of DP Eurasia N.V. hereby declares, in accordance with best practice provision 1.4.3 of the Dutch Corporate Governance Code, that to the best of its knowledge:

- the financial statements as included on pages 126 to 130 of the Annual Report provide a true and fair view of the assets, liabilities and financial position as at 31 December 2022 as well as the profit or loss of DP Eurasia N.V. and all the business undertakings included in the consolidation in accordance with IFRS as adopted in the European Union and Part 9 of Book 2 of the Dutch Civil Code;
- the management report included in this Annual Report provides a true and fair view of the condition on the balance sheet date and of the business performance during the financial year of DP Eurasia N.V. and the companies associated with it whose details are included in the financial statements, together with a description of the main risks DP Eurasia N.V. faces. The members of the Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code;
- the Board is responsible for preparing the Annual Report in accordance with applicable laws and regulations and the Board considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- based on their assessment of prospects and viability, the Board confirms it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next twelve months;
- the management report included in this Annual Report provides sufficient insights into any failings and the effectiveness of the internal risk management and control systems, whose systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis that the Group will continue as a going concern and be able to realise its assets and discharge its liabilities in the normal course of business; and
- the management report included in this Annual Report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this management report.

By order of:

Aslan Saranga
(Chief Executive Officer)

Frederieke Slot
(Executive Director)

Peter Williams
(Non-Executive Director)

Shyam Bhartia
(Non-Executive Director)

Hari Bhartia
(Non-Executive Director)

David Adams
(Non-Executive Director)

Ahmet Ashaboglu
Non-Executive Director

19 April 2023

Shares and shareholders

Shares

Our shares

The shares that are traded on the London Stock Exchange are traded under the symbol DPEU with ISIN code NL0012328801. DP Eurasia is included in the FTSE SmallCap and FTSE All-Share indices.

The authorised capital of the Company comprises a single class of registered shares. Shares that are traded via the CREST system, the paperless settlement system of the London Stock Exchange, are registered under the name and address of Link Market Services Trustee Limited (the "Depositary"). All issued shares are fully paid up and each share confers the right to cast a single vote in the General Meeting. DP Eurasia's issued share capital on 31 December 2022 was €17,444,689.70 consisting of 145,372,414 ordinary shares of €0.12 each.

At the 2022 AGM, the Board was designated as the corporate body authorised to issue shares or to grant rights to subscribe for shares limited to a maximum of one-third of the issued share capital of the Company as at 8 June 2022 and to restrict or exclude pre-emptive rights accruing to shareholders of the Company: (i) in connection with the issuance of shares limited to a maximum of 5% of the issued share capital as at 8 June 2022 but so that such authorisation may be used only for general corporate purposes; and (ii) in connection with the issuance of shares limited to a maximum of 5% of the issued share capital as at 8 June 2022, but so that such authorisation may be used only for the purposes of financing (or refinancing, if the authorisation is to be used within six months after the original transaction) a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the UK Pre-Emption Group prior to the date of the 2022 AGM.

By virtue of its authorisation by the General Meeting, the Board is also authorised to acquire fully paid-up shares in the capital of the Company, up to a maximum of 10% of the issued share capital, provided that the Company will not hold more shares in its own capital than a maximum of 50% of the issued capital of the Company, either through a purchase on a stock exchange or otherwise, the repurchase can take place for a minimal price, excluding expenses, of the nominal value of the shares and a maximum price of the higher of: (i) an amount equal to 5% above the average of the middle market quotations for the shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such shares are contracted to be purchased; and (ii) the highest current independent bid on the London Stock Exchange Daily Official List at the time that the purchase is carried out as stipulated by the Commission – adopted Regulatory Technical Standards pursuant to Article 5 paragraph 6 of the Market Abuse Regulation.

These designations and authorisations have been given for a period of 15 months ending on the earlier of the conclusion of the 2022 AGM or the close of business on 8 September 2023. Such authorities are renewed annually and authority will be sought at the 2023 AGM.

Dividend policy

The Group does not expect to declare any dividends in 2022. In future years, the Group will consider the payout of dividends, taking into account the amount of profits, the need for cash for capital expenditure and further expansion and its debt profile.

As such, while the Group's policy is to eventually pay out dividends in the appropriate circumstances, there is no immediate prospect of dividends being paid out, nor can there be any assurance as to when and in what amount any dividends may be eventually paid out.

Shareholders

Major shareholders

At the IPO, shares were offered to institutional investors in the UK and certain other jurisdictions. The listing significantly broadened the Company's shareholder base, and the Company's shares are widely spread over a large number of shareholders in various countries.

Shareholder structure

Under UK law, shareholders must disclose percentage holdings in the capital and/or voting rights in the Company to the issuer when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% and 95%.

Such shareholders must notify the Company as soon as possible and in any event within four trading days. The Company must notify the market by the end of the third trading day after it receives the notification. As at 6 April 2023, the Company had been notified, in accordance with the FCA's Disclosure, Guidance and Transparency Rules (DTR 5.3.1R(1), of the following holdings of voting rights attaching to the Company's shares:

6 April 2023	Share/vote %	Amount
Jubilant FoodWorks Netherlands B.V.[(1)]	49.04	71,413,939
Jeffrey R. Fieler	13.02	19,217,854
Barca Global Master Fund, LP	8.30	12,087,470
Mr Saranga	5.57	8,106,310

(1) Fides Food Systems Coöperatief U.A. merged with Jubilant FoodWorks Netherlands B.V. (acquiring entity) on 2 March 2022.

Shares and shareholders continued

General Meeting

The Company will organise a General Meeting at least once a year. The agenda with notes and the registration process are published with the notice convening the meeting at least 42 days beforehand and are also available on the Company's website. The notes contain all relevant information with regard to the resolutions on the agenda. Each shareholder may attend General Meetings, address the General Meeting and exercise voting rights pro rata to their shareholding, either in person or by proxy. Shareholders may exercise these rights if they are the holders of shares on the record date, which is the 28th day before the day of the General Meeting, and they or their proxy have notified the Company of their intention to attend the General Meeting.
The Company shall give shareholders and other persons entitled to vote the possibility of issuing proxy votes to an independent third party. All proxy votes received are counted with the balance for and against, and any votes withheld are announced at the General Meeting and published on the Company's website after the meeting.

The Company's articles of association set out in detail the power of the General Meeting. Resolutions requiring the prior approval of the General Meeting are, amongst others:

- adoption of the Company's annual accounts;
- amendments to the articles of association;
- deciding on the remuneration policy of the Board;
- appointment and dismissal of Board members;
- appropriation of profits to the extent not added to the reserves;
- appointing the external auditor;
- transferring the Company or virtually the entire Company to a third party; and
- dissolution of the Company.

Subject to certain exceptions as set forth by law or the articles of association, resolutions of the General Meeting are passed by an absolute majority of the votes cast.

Draft minutes of the meeting will be released within three months of the meeting and will be available for comments for three months thereafter. The final minutes will be published on the Company's website. This year, the AGM is scheduled to be held on 13 June 2023 in Amsterdam, the Netherlands.

Controlling shareholder

For as long as there is a controlling shareholder (defined in the Listing Rules as any person who exercises or controls on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at general meetings of a company), the Board rules allow for the election or re-election of any independent Director to be approved by separate resolutions of: (i) the Company's shareholders; and (ii) the Company's shareholders excluding any controlling shareholder. If either of the resolutions is defeated, the Company may propose a further resolution to elect or re-elect the proposed independent Director, which: (a) may be voted on within a period commencing 90 days and ending 120 days from the original vote; and (b) may be passed by a vote of the shareholders of the Company voting as a single class.

Furthermore, in the event that the Company wishes the FCA to cancel the listing of the shares on the premium listing segment of the Official List or transfer the shares to the standard listing segment of the Official List, the Company must obtain at a General Meeting prior approval of:

(i) a majority of not less than 75% of the votes attaching to the shares voted on the resolution; and

(ii) a majority of the votes attaching to the shares voted on the resolution excluding any shares voted by a controlling shareholder. In all other circumstances, controlling shareholders have and will have the same voting rights attached to the shares as all other shareholders.

Impact of Brexit on the Group and minority shareholder protection

As a result of Brexit, companies which formerly had their registered office in one EEA member state and their shares admitted to trading on a regulated market in the UK have now fallen outside the "shared jurisdiction" regime.
The shared jurisdiction regime provided that, for such companies, certain rules from the UK Takeover Code and certain rules of the state in which the Company is registered apply to takeover activity. Following the end of the transition period at midnight on 31 December 2020, this regime no longer applies such that neither the UK Takeover Code regime nor the home state regime applies.

Certain jurisdictions, such as Ireland, reacted unilaterally by extending the reach of their local takeover regime in order to fill the void. The Netherlands did not do this.

Shares and shareholders continued

As a result of this, neither the Dutch nor the UK takeover codes now apply to the Company, and consequently the minority protections contained in the takeover codes no longer apply to the Company's shareholders. For example, a shareholder will no longer be required to make a mandatory offer to all shareholders when it reaches the threshold of holding 30% of the Company's shares and the price at which such a shareholder would acquire shares would be negotiated.

The principal protections applying to the Company will be those contained in:

- the Company's articles of association;
- the indirect undertakings of the controlling shareholder via the Relationship Agreement between the Company and Jubilant;
- the UK legal regime applying to premium listed companies (in particular, as contained in the Listing Rules); and
- Dutch corporate law.

An independent committee of the Board of the Company, comprised of Peter Williams (Chairman) and David Adams (Senior Independent Non-Executive Director), (the "Independent Committee") assured shareholders that it would seek to address greater minority shareholder protection with the wider Board.

To a certain extent, some of the concerns of shareholders communicated during the recent reverse bookbuild process were addressed by the reduction in free float requirements under the Listing Rules to 10%, from 25%, in December 2021 – thereby lessening the risk of de-listing in circumstances where a controlling shareholder seeks to increase its shareholding. However, as a result of shareholder feedback during that process, it had become clear that the UK Takeover Code and the Dutch takeover rules no longer applying to the Company, as a consequence of Brexit, was a situation that should be addressed as soon as possible.

The Board has proposed additional takeover protection for minority shareholders. This takeover protection is embedded in the Company's articles of association as from 13 April 2022. From this date, the articles include the requirement to launch a mandatory offer by any investor which acquires 50% or more of the Company's issued share capital. A shareholder/investor is entitled to increase its stake to a level below 50% without triggering a requirement to make a mandatory offer.

Relationship Agreement and the controlling shareholder

The Company considers that Jubilant exercises or controls on its own, or together with any person with whom it is acting in concert, more than 30% of the votes to be cast on all or substantially all matters at General Meetings. In order to ensure that the Company can carry on as an independent business as its main activity, on 28 June 2017, the Company and Fides Food Systems entered into a Relationship Agreement which regulates the ongoing relationship between the Company and Fides Food Systems and its associates, including Jubilant. The Relationship Agreement was amended by a deed of amendment dated 29 September 2021 between the parties, in order to govern the relationship between the controlling shareholder and the Company after Jubilant acquired the shareholding in Fides Food Systems and in order to comply with Listing Rule 6.1.4BR(1) which requires that the Company and the controlling shareholder had in place a written and legally binding agreement upon admission which is intended to ensure that the controlling shareholder and the Company comply with the independence provisions set out in Listing Rule 6.1.4DR. Another amendment to the Relationship Agreement was agreed on 15 February 2022 to include additional takeover protection for minority shareholders. Fides Food Systems merged with Jubilant on 2 March 2022 and therefore Jubilant is the current contract party of the Company.

Shares and shareholders continued

The Relationship Agreement contains, among others, undertakings from Jubilant that: (i) transactions and arrangements with it (and/or any of its associates (including Jubilant's parent company)) will be conducted at arm's length and on normal commercial terms; (ii) neither it nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; (iii) neither it nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules; (iv) neither Jubilant nor any of its associates will take any action that would affect the ability of the Company to carry on its business independently of Jubilant; and (v) it will not cause or authorise anything to be done which would prejudice either the Company's status as a company whose shares are admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities or its suitability for listing (the "Independence Provisions").

The Relationship Agreement will continue for as long as: (a) the shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's main market for listed securities; and (b) Jubilant, together with its associates, is entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all, or substantially all, matters at General Meetings. The Group believes that the terms of the Relationship Agreement will enable the Group to carry on its business independently of Jubilant.

Furthermore, Jubilant has agreed to procure the compliance of its associates with the Independence Provisions.

The Company has complied with, and so far as the Company is aware, Jubilant has complied with, sub-paragraphs (i), (ii) and (iii) of the Independence Provisions set out above.

Conflicts of interest

Save as set out under "Relationship Agreement and the controlling shareholder", there are no potential conflicts of interest between any duties owed by the Directors or senior managers to the Company and their private interests or other duties.

Investor relations policy

The Company is committed to maintaining an open and constructive dialogue with the investment community. The Company is aiming to keep its shareholders updated by informing them equally, simultaneously, clearly and accurately about the Company's strategy, performance and other Company matters and developments that could be relevant to investors' decisions.

The Company will act in accordance with applicable rules and regulations, including provisions on price-sensitive information, fair and non-selective disclosure and equal treatment of shareholders that are in the same position.

The Company communicates with all of its investors and analysts through organising or attending meetings such as the AGM, roadshows, broker conferences and one-off meetings and calls. The Chair and SID are available for meetings with shareholders on request. Furthermore, the Company publishes Annual Reports, Half-yearly Reports and trading updates.

Meetings

Briefings are given to update the market after each quarterly announcement via Group meetings or teleconference and are accessible by telephone or through the internet. Meetings with investors (bilateral and general) are held regularly to ensure that the investment community receives a balanced and complete view of the Company's performance and the issues faced by the business, while always observing applicable rules concerning selective disclosure, equal treatment of shareholders and insider trading.

Analysts' reports and valuations are not assessed, commented upon or corrected, other than factually, by the Company. DP Eurasia does not pay any fee(s) to parties for carrying out research for analysts' reports or for the production or publication of analysts' reports. Contacts with the capital markets are dealt with by the Chief Executive Officer, the Chief Strategy Officer and Head of Investor Relations and, from time to time, certain Non-Executive Directors.

Financial statements

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Consolidated statement of comprehensive income

For the years ended 31 December 2022 and 2021

	Notes	2022	2021
Revenue	4	2,219,703	2,062,747
Cost of sales	4	(1,396,461)	(1,268,290)
Gross profit		823,242	794,457
General administrative expenses		(281,987)	(262,616)
Marketing and selling expenses		(346,550)	(342,867)
Other operating (loss)/income, net		(5,685)	7,198
Operating profit		189,020	196,172
Foreign exchange income	6	85,518	49,805
Financial income	6	109,626	53,521
Financial expense	6	(240,348)	(132,740)
Monetary gain	2.1	47,497	48,646
Profit/(loss) before income tax		191,313	215,404
Tax expense	19	10,736	(81,165)
Profit from continuing operations		202,049	134,239
Loss from discontinued operations	24	(211,090)	(71,365)
(Loss)/profit for the period		(9,041)	62,874
Other comprehensive expense		(260,057)	(35,356)
Items that will not be reclassified to profit or loss			
– Remeasurements of post-employment benefit obligations, net of tax		(5,856)	124
Items that may be reclassified to profit or loss			
– Currency translation differences		(248,176)	(70,069)
– Currency translation differences from discontinued operations		(6,025)	34,589
Total comprehensive loss		(269,098)	27,518
Profit per share for the period attributable to equity holders of the parent (1)		(0.06)	0.43
Profit per share from continuing operations attributable to equity holders of the parent (1)		1.39	0.92

(1) Amounts represent the basic and diluted earnings per share.

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

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

Consolidated statement of financial position

For the years ended 31 December 2022 and 2021

	Notes	31 Dec 2022	31 Dec 2021
Assets			
Trade receivables	13	**16,365**	21,203
Lease receivables	16	**95,272**	109,391
Right-of-use assets	10	**98,542**	218,969
Property and equipment	8	**123,577**	211,063
Intangible assets	9	**91,970**	117,291
Goodwill	11	**234,597**	251,210
Deferred tax assets	19	**4,183**	27,531
Other non-current assets	16	**69,415**	64,850
Non-current assets		**733,921**	1,021,508
Cash and cash equivalents	12	**360,059**	254,700
Trade receivables	13	**297,960**	385,793
Lease receivables	16	**13,676**	32,270
Inventories	15	**238,814**	223,943
Current income tax assets		**45,418**	–
Other current assets	16	**162,150**	169,407
Current assets		**1,118,077**	1,066,113
Assets held for sale	**24**	**435,400**	–
Total assets		**2,287,398**	2,087,621
Equity			
Paid in share capital	21	**36,353**	36,353
Share premium		**441,632**	441,632
Contribution from shareholders	20	**76,604**	71,715
Other reserves not to be reclassified to profit or loss			
– Remeasurements of post-employment benefit obligations		**(11,360)**	(5,504)
Other reserves to be reclassified to profit or loss			
– Currency translation differences		**(633,889)**	(379,688)
Retained earnings		**61,366**	70,407
Total equity		**(29,294)**	234,915

	Notes	31 Dec 2022	31 Dec 2021
Liabilities			
Financial liabilities	17	**64,923**	230,196
Lease liabilities	17	**152,422**	281,692
Long-term provisions for employee benefits	16	**13,693**	6,883
Deferred tax liability	19	**–**	8,362
Other non-current liabilities	16	**154,906**	118,571
Non-current liabilities		**385,944**	645,704
Financial liabilities	17	**729,232**	521,862
Lease liabilities	17	**42,901**	91,072
Trade payables	13	**354,419**	395,363
Current income tax liabilities	19	**–**	21,003
Provisions		**3,438**	8,904
Other current liabilities	16	**135,960**	168,798
Current liabilities		**1,265,950**	1,207,002
Liabilities related to assets held for sale	**24**	**664,798**	–
Total liabilities		**2,316,692**	1,852,706
Total liabilities and equity		**2,287,398**	2,087,621

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

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

Consolidated statement of changes in equity
For the year ended 31 December 2022

	Share capital	Share premium	Contribution from shareholders	Remeasurement of post-employment benefit obligations	Currency translation differences	Retained earnings	Total equity
Balances at 1 January 2021	36,353	441,632	69,233	(5,628)	(344,208)	7,533	204,915
Remeasurements of post-employment benefit obligations, net	—	—	—	124	—	—	124
Currency translation adjustments	—	—	—	—	(35,480)	—	(35,480)
Total loss for the period	—	—	—	—	—	62,874	62,874
Total comprehensive loss	—	—	—	124	(35,480)	62,874	27,518
Share-based incentive plans (Note 20)	—	—	2,482	—	—	—	2,482
Balances at 31 December 2021	36,353	441,632	71,715	(5,504)	(379,688)	70,407	234,915
Balances at 1 January 2022	**36,353**	**441,632**	**71,715**	**(5,504)**	**(379,688)**	**70,407**	**234,915**
Remeasurements of post-employment benefit obligations, net	**—**	**—**	**—**	**(5,856)**	**—**	**—**	**(5,856)**
Currency translation adjustments	**—**	**—**	**—**	**—**	**(254,201)**	**—**	**(254,201)**
Total loss for the period	**—**	**—**	**—**	**—**	**—**	**(9,041)**	**(9,041)**
Total comprehensive loss	**—**	**—**	**—**	**(5,856)**	**(254,201)**	**(9,041)**	**(269,098)**
Share-based incentive plans (Note 20)	**—**	**—**	**4,889**	**—**	**—**	**—**	**4,889**
Balances at 31 December 2022	**36,353**	**441,632**	**76,604**	**(11,360)**	**(633,889)**	**61,366**	**(29,294)**

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

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

Consolidated statement of cash flows

For the year ended 31 December 2022

	Notes	31 Dec 2022	31 Dec 2021
Profit before income tax		**191,313**	215,404
Adjustments for:			
Depreciation	8	**42,374**	32,616
Amortisation	9,10	**67,549**	58,195
Performance bonus accrual	16	**29,585**	31,034
Non-cash employee benefits expense – share-based payments	20	**4,889**	2,482
Interest income	6	**(109,626)**	(53,521)
Interest expense	6	**223,847**	128,172
Impairment of tangible and intangible assets		**—**	1,921
Hyperinflation adjustments		**(187,160)**	71,051
Cash flows from discontinued operation		**268,562**	159,655
Effect of currency translation differences		**(145,804)**	26,165
Changes in operating assets and liabilities			
Changes in trade receivables		**92,671**	(282,529)
Changes in other receivables and assets		**35,912**	(220,470)
Changes in inventories		**(14,871)**	(162,199)
Changes in contract assets		**(507)**	(409)
Changes in contract liabilities		**(27,923)**	(11,343)
Changes in trade payables		**(40,944)**	222,004
Changes in other payables and liabilities		**(4,141)**	180,428
Income taxes paid	19	**(66,421)**	(58,530)
Cash flows generated from operating activities		**359,305**	340,126
Purchases of property and equipment	8	**(41,678)**	(60,585)
Purchases of intangible assets	9	**(58,311)**	(42,929)
Cash flows from discontinued operation		**(29,791)**	(6,157)
Disposals from sale of tangible and intangible assets		**18,967**	1,692
Cash flows used in investing activities		**(110,813)**	(107,979)
Interest paid		**(135,364)**	(92,312)
Interest on leases paid		**(53,487)**	(6,003)
Interest received		**109,626**	30,972
Loans obtained	17	**1,144,060**	302,054
Loans paid	17	**(867,989)**	(192,519)
Cash flows from discontinued operation		**(159,666)**	(63,517)
Payment of lease liabilities	17	**(64,543)**	(41,890)
Cash flows (used in)/generated from financing activities		**(27,363)**	(63,215)
Effects of inflation on cash and cash equivalents		**(115,770)**	(23,268)
Net increase in cash and cash equivalents		**105,359**	145,664
Cash and cash equivalents at the beginning of the period		**254,700**	109,036
Cash and cash equivalents at the end of the period		**360,059**	254,700

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 1 – The Group's organisation and nature of activities

DP Eurasia N.V. (the "Company"), a public limited company, having its statutory seat in Amsterdam, the Netherlands, was incorporated under the law of the Netherlands on 18 October 2016. Upon incorporation, Fides Food Systems Coöperatief U.A. and Vision Lovemark Coöperatief U.A. contributed and transferred all shares in Fidesrus B.V. and Fides Food Systems B.V. and their subsidiaries to the Company. From this point forward, the consolidated Group was formed. This was a transaction under common control.

The consolidated financial statements of DP Eurasia N.V. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

The Company's registered address is: Herikerbergweg 238, Amsterdam, the Netherlands.

The Company and its subsidiaries (together referred to as the "Group") perform its activities in corporate-owned and franchised stores in Turkey and the Russian Federation, including providing technical support, control and consultancy services to the franchisees.

As at 31 December 2022, the Group holds franchise operating and sub-franchising rights in 859 stores (697 franchised stores, 162 corporate-owned stores) (31 December 2021: 809 stores (615 franchised stores, 194 corporate-owned stores)).

The consolidated financial statements as at and for the period ended 31 December 2022 have been approved and authorised for issue on 19 April 2023 by authorisation of the Board.

The financial statements are subject to adoption by the Annual General Meeting.

Subsidiaries

The Company has a total of four fully owned subsidiaries. These entities and the nature of their businesses are as follows:

Subsidiaries	2022 Effective ownership (%)	2021 Effective ownership (%)	Registered country	Nature of business
Pizza Restaurantları A.Ş. ("Domino's Turkey")	100	100	Turkey	Food delivery
Pizza Restaurants LLC ("Domino's Russia")	100	100	Russia	Food delivery
Fidesrus B.V. ("Fidesrus")	100	100	The Netherlands	Investment company
Fides Food Systems B.V. ("Fides Food")	100	100	The Netherlands	Investment company

Domino's Russia is established in the Russian Federation. Domino's Russia is operating a pizza delivery network of corporate and franchised stores in the Russian Federation. Domino's Russia has a Master Franchise Agreement (the "MFA Russia") with Domino's Pizza International for the pizza delivery network in Russia until 2030. Please refer to Note 2.4 and Note 24 for the details of the discontinued operations.

Domino's Turkey is established in Turkey. Domino's Turkey is operating a pizza delivery network of corporate and franchised stores in Turkey. Domino's Turkey is a food delivery company, which has a Master Franchise Agreement (the "MFA Turkey") with Domino's Pizza International for the pizza delivery network in Turkey until 2032. The Group expects the terms of the MFAs to be extended. Fides Food Systems and Fidesrus are established in the Netherlands; both Fides Food Systems and Fidesrus are acting as investment companies.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements

2.1 Financial reporting standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by EU") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB") and Title 9 of Book 2 of the Dutch Civil Code. The policies set out below have been consistently applied to all the periods and the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention.

Domino's Turkey is registered in Turkey; it individually maintains its accounting records in TRY and prepares its statutory financial statements in accordance with the Turkish Financial Reporting Standards ("TFRS"). The stand-alone financial statements of Domino's Turkey are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS as adopted by the EU.

Domino's Russia is registered in the Russian Federation; it individually maintains its accounting records in RUB and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting ("RAR") of the Russian Federation. The stand-alone financial statements of Domino's Russia are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS as adopted by the EU.

Application of IAS 29 - Hyperinflation in Turkey

The Turkish economy was designated as a hyperinflationary economy in the first half of 2022 and, as a result, IAS 29, 'Financial Reporting in Hyperinflationary Economies' has become applicable to the Group's subsidiaries whose functional currency is the Turkish Lira (Domino's Turkey). IAS 29 requires companies to report the results of the operations in Turkey, as if these had always been highly inflationary,

Specifically, IAS 29 requires:

- adjustment of historical cost of the non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the end of the reporting date;
- non-adjustment of the monetary assets and liabilities, as they are already expressed in the measuring unit current at the end of the reporting period;
- adjustment of the statement of comprehensive income for inflation and its translation with the average index rate;
- recognition of gain or loss on net monetary position in profit or loss in order to reflect the impact of inflation rate movement on holding monetary assets and liabilities in local currency;
- there are no items measured at current cost;
- all items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period;
- the restatement of financial statements in accordance with this Standard may give rise to differences between the carrying amount of individual assets and liabilities in the statement of financial position and their tax bases. These differences are accounted for in accordance with IAS 12 Income Taxes; and
- total cumulative effect of restating non-monetary items in accordance with IAS 29 on opening balance sheet of 1 January 2021 are recognised in retained earnings.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide consumer price index ("CPI") published by the State Institute of Statistics ("SIS"). Indices and conversion factors used to restate the comparative amounts until 31 December 2022 are given below:

Date	Index	Conversion factor	Cumulative three-year inflation rate
31 December 2022	1128.45	1.0000	156.2%
31 December 2021	686.95	1.6427	74.4%
31 December 2020	504.81	2.2354	54.2%

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.1 Financial reporting standards continued

Application of IAS 29 – Hyperinflation in Turkey continued

The financial statements of the Group's subsidiaries, whose functional currency is the currency of a hyperinflationary economy, are adjusted for inflation and prior year comparatives have been restated for hyperinflation in the consolidated financial statements.

In the consolidated income statement for the twelve months ended 31 December 2022, the Group recognised a total gain on net monetary position of TRY 47,497 thousands. (31 December 2021: TRY 48,646)

The Group used the conversion coefficient derived from the consumer price index published by Turkish Statistics Institute ("TUIK"). The conversion coefficients were 1128.45 and 686.95 on 31 December 2022 and 31 December 2021, respectively. One conversion coefficient per period has been determined and calculated as purchases and sales are relatively fairly divided over the year.

Going concern assumption

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern and be able to realise its assets and discharge its liabilities in the normal course of business.

Risks and uncertainties

At this stage there has been no material disruption to the Group's operations in Russia from the ongoing situation in Ukraine. From, a DP Eurasia perspective, the right to close/cease the operation in Russia belongs to DP Eurasia (not DP International) as per the Master Franchise Agreement and the Group management is determined to continue to operate in Russia. Suspension of all international settlements with counterparties not from Russia is not expected to have a material impact on the Company since the operations are run and supplied locally. 95% of the raw materials are supplied locally, sanctions or disruptions in imports will likely have an insignificant impact on operations.

Climate change

The climate-related risks can be divided into two major categories: risks related to the transition to a lower-carbon economy (transition risks) and risks related to the physical impacts of climate change (physical risks).

Transition risks: Our financial performance may be affected by the nature, speed and focus of policy, legal, technology and market changes.

Physical risks: Our financial performance may be affected in the future by changes in water availability, sourcing and quality; food security; and extreme temperature changes.

We consider the impact of climate change in assessing whether assets may be impaired or whether the useful life of assets needs to be shortened due to early replacement We also consider climate-related risks for larger projects and limit financial losses by procuring Property Damage and Business Interruption (PDBI) insurance against damage from natural catastrophes and weather-related events, such as floods, hurricanes and winter storms.

Sanctions and business continuity

The conflict between Russia and Ukraine has been increasing the tension in the region, negatively affecting commodity and financial markets and increasing volatility, especially the exchange rates. In addition to this, the Russian economy has faced heavy sanctions imposed mainly by Western countries.

In December 2022, the Board decided to explore the options to sell its Russian operations and initiated a plan to locate a buyer and complete the sell-out with a reasonable market price. The transaction is expected to be completed within twelve months of the balance sheet date, subject to receiving regulatory approvals. Accordingly, DP Russia operations are to be reported within discontinued operations and its assets and liabilities are recognised as assets held for sale and liabilities for sale as at 31 December 2022. (Note 24).

Actions on capex and expenditure

The Board has determined it prudent to limit any further investment into its operations and will keep this under review going forward in light of the geopolitical situation. In addition, the Group announced that royalty payments from its Russian operations have been suspended until further notice. The Company also took actions to minimise fixed costs and capital expenditure, together with the postponement of royalties.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.1 Financial reporting standards continued

Going concern assumption continued

Risk assessment

As per the sensitivity test run with different pessimistic scenarios (in case of zero sales growth and 10% decrease of average weekly sales orders, possible transaction costs related to intention to sell-out Russian operations),the Company is still able to operate with its own cash flow. If there is any further cash needed, this can be funded by using unused loan limits available in local Turkish market.

Impairment of long-lived assets, goodwill and indefinite-lived intangibles

In preparation of the consolidated financial statements as at 31 December 2022, the Group has assessed the possible impacts of the ongoing situation in Russia on the financial statements and reviewed the critical estimates and assumptions. Within this scope, the Group has tested the property and equipment, intangible assets, goodwill, deferred tax assets and trade receivables for possible impairment.

Impact on financial liabilities and liquidity

The Group currently utilises internally generated cash flow and bank borrowings in Turkey to meet its financing needs. The Group's Turkish operations are well established and cash generative and act as a source of liquidity for the wider Group.

The Group has additional borrowing capacity available from Turkish banks, which it can draw down for liquidity needs. Even though the Company obtained waivers for all quarters of 2022 from Sberbank regarding its loan, since assets and liabilities of the Russian operations are classified as held for sale, all assets and liabilities are reclassified as short-term as of the balance sheet date.

2.2 Principles of consolidation

Uncommitted facilities

The Group enters into general loan agreements with a range of Turkish banks. Based on the general practice in Turkey, events of default, seizure of assets held by the bank as securities for company loans, regular disclosure of financials and change of control clauses and which are rolled over at the end of the term. Nearly all of the Turkish bank borrowings are short term. The banks make periodic revisions to determine the risk limits they are willing to make available to the Group and regularly assess the Group's financial position. The Group has not received any call requests nor have the Turkish banks that lend to it under these facilities declined any drawdown requests during the period under review.

As at 31 March 2023 the limits available under these types of facilities amount to TRY350 million.

The consolidated financial statements include the parent company, DP Eurasia N.V. and its subsidiaries for the year ended 31 December 2022. Subsidiaries are fully consolidated from the date on which control is transferred to the Company (the "acquisition date").

Basis of consolidation

The consolidated financial statements include the accounts of the Group on the basis set out in the sections below. The financial results of the subsidiaries are fully consolidated from the date on which control is transferred to the Group or deconsolidated from the date that control ceases.

Subsidiaries are all companies over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity.

The subsidiaries fully consolidated, the proportion of ownership interest and the effective interest of the Group in these subsidiaries as at 31 December 2022 are disclosed in Note 1.

The results of operations of subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the acquisition date or until the date of sale.

The statements of financial position and statements of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying values of the investment held by the Company and its subsidiaries are eliminated against the related shareholders' equity. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

After disposal of an asset or disposal group, inter-group balances are eliminated against discontinued operations. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.2 Principles of consolidation continued

Consolidation of foreign subsidiaries

Financial statements of subsidiaries operating in foreign countries are prepared in the currency of the primary economic environment in which they operate. Assets and liabilities in the financial statements prepared according to the Group's accounting policies are translated into the Group's presentation currency, Turkish Lira, from the foreign exchange rate at the statement of financial position date, whereas income and expenses are translated into TRY at the average foreign exchange rate. Exchange rate differences arising on the translation of a monetary item that forms part of a legal entity's net investment in a foreign operation are recognised in the foreign exchange translation reserve in equity. Exchange differences arising from the translation are included in the "currency translation differences" under shareholders' equity.

The foreign currency exchange rates used in the translation of the foreign operations within the scope of consolidation are as follows:

	31 Dec 2022		31 Dec 2021	
Currency	Period end	Period average	Period end	Period average
Euros ("EUR")	**19.9349**	**17.36424**	14.6823	10.4408
Russian Roubles ("RUB")	**0.25948**	**0.249513**	0.1730	0.1196

2.3 New and amended international financial reporting standards

New and amended standards adopted by the Group, which are applicable for the financial statements as at 31 December 2022

A number of new or amended standards became applicable for the current reporting period and the Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2022:

- amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions – extension of the practical expedient (effective 1 April 2021); and
- a number of narrow-scope amendments to IFRS 3, IAS 16 and IAS 37, and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The new standards, amendments and interpretations, which are issued but not effective for the financial statements as at 31 December 2022:

- narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;
- amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;
- amendment to IFRS 16 – Leases on sale and leaseback;
- amendment to IAS 1 – Non-current liabilities with covenants; and
- IFRS 17, 'Insurance Contracts', as amended in December 2021.

The amendments are not expected to have an impact on the financial position or performance of the Group.

2.4 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), see Note 2.5 for the accounting of foreign currency transactions.

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from trading activities (trade receivables and payables) denominated in foreign currencies of the Group companies have been accounted for under "other operating income/expenses" whereas foreign exchange gains and losses resulting from the translation of other monetary assets and liabilities denominated in foreign currencies have been accounted for under "financial income/expenses" in the consolidated income statement.

The consolidated financial statements are presented in TRY, which is the Group's presentation currency.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies

Revenue recognition

(i) Sale of goods – wholesale

The Group sells raw materials and equipment to franchise-owned stores. Sales are recognised at a point in time when control of the products has transferred, being when the products are delivered to the franchisees, franchisees have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the franchisees' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the franchisee, and either the franchisee has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The financing component is only taken into consideration when the length of the time between the transfer of services and the related consideration is expected to exceed one year, and the effect is material. The Group adjusts the promised amount of consideration for the effects of the time value of money when the timing of payments agreed provides either the customer or the entity with a significant benefit of financing.

Revenue generated from sale of raw materials and equipment to franchise-owned stores is classified under "Franchise revenue and royalty revenue obtained from franchisees" in Notes 3 and 4.

(ii) Sale of goods – retail

The Group operates a chain of stores selling and delivering pizza. Revenue from the sale of goods is recognised at a point in time when the store sells a product to the customer. Revenue generated from chain stores selling and delivering pizza is classified under "Corporate revenues" in Notes 3 and 4.

Payment of the transaction price is due immediately when the customer purchases the pizza and the pizza is delivered to the customer.

(iii) Revenue from royalties

Royalties are calculated based on franchise-owned store sales to customers, which are recognised on the same basis as the corporate (retail) sales by the Group. Royalties are recognised in the period the related sale occurs. Revenue generated from royalties is classified under "Franchise revenue and royalty revenue obtained from franchisees" in Notes 3 and 4.

(iv) Sale of goods – customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they expire twelve months after the initial sale.

The points provide a material right to customers that they would not receive without entering a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis.

Management estimates the stand-alone selling price per point based on the discount granted when the points are redeemed and based on the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated based on the retail price. Other discounts are not considered as they are only given in rare circumstances.

A contract liability is recognised until the points are redeemed or expire.

(v) Revenue from franchise fees

The Group receives a franchise fee from each franchise that joins the Group and operates under the name of Domino's Pizza; however, the performance obligation of the Group is related to the services provided during the agreement. These franchise fee revenues are deferred during the period of the franchise agreement and those deferred revenues are included in the other non-current liabilities. Revenue generated from royalties is classified under "Other revenues" in Notes 3 and 4.

Franchise arrangement involves the right to operate in a specific location as well as other goods and services, such as point-of-sale systems, restaurant concept, menus and benefits from national advertising campaigns. Revenue generated from franchise fees is generated in proportion to time passed since the inception of the franchise contract.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

Revenue recognition continued

(vi) Costs to fulfil a contract

The Group incurs certain costs with Domino's Pizza International related to the set up of each franchise contract and IT systems used for recording of franchise revenue. The costs relate directly to the franchise contract, generate resources used in satisfying the contract and are expected to be recovered. They are therefore capitalised as costs to fulfil a contract and are expensed over the life of the contract. Costs to fulfil a contract are classified under "Other assets" in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, credit card receivables and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Trade receivables

Trade receivables, that are recognised by way of providing goods or services directly to a debtor, are accounted for initially at fair value and subsequently measured at amortised cost, using the effective interest method, less allowance for expected credit losses, if any.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The allowance for expected credit losses ("ECL") of trade receivables is based on individual assessments of expected non-recoverable receivables as well as on expected credit losses estimated using a provision matrix by reference to past default experience on the trade receivables.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Trade payables are classified as current liabilities if payment is due within one year or less, otherwise they are presented as non-current liabilities.

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of borrowing using the effective interest rate method.

Inventories

Raw materials and trade goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure; costs are assigned to individual items of inventory based on weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Financial investments

Classification and measurement

The Group classifies its financial assets in three categories: financial assets carried at amortised cost, financial assets carried at fair value through profit or loss and 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.

Financial assets measured at amortised cost are non-derivative financial assets that are held as part of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms.

The Group's financial assets which are recognised at amortised cost include cash and cash equivalents, trade receivables, lease receivables and other receivables. The assets are measured at their fair values in the initial recognition of financial assets and discounted values by using the effective interest rate method in the subsequent accounting. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortised cost are recognised in the consolidated statement of profit and loss.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

Financial assets carried at amortised cost

Impairment

The Group has applied a simplified approach for the calculation of impairment on its receivables carried at amortised cost. In accordance with this method, if no provision has been recognised on the trade receivables, lease receivables and other receivables because of a specific event, the Group measures the expected credit loss from these receivables by the lifetime expected credit loss. The calculation of expected credit loss is performed based on the experience of the Group and its expectation based on the macroeconomic indications.

Financial assets carried at fair value

Assets that are held by management for collection of contractual cash flows and/or for selling the financial assets are measured at their fair value. If management does not plan to dispose of these assets in twelve months after the balance sheet date, they are classified as non-current assets. The Group makes a choice for the equity instruments during the initial recognition and elects profit or loss or other comprehensive income for the presentation of fair value gain and loss. The Group has no financial assets carried at fair value in the current financial statements.

(i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of “derivative instruments” in the statement of financial position. Derivative instruments are recognised as an asset when the fair value of the instrument is positive, and as a liability when the fair value of the instrument is negative.

(ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise “financial assets” in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, the fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the related accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset ready for use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to the income statement in the year the costs are incurred. If the asset recognition criteria are met, the expenditures are capitalised as an additional cost of property and equipment.

Except for the construction in progress, depreciation is computed on a straight-line basis over the estimated useful lives. The depreciation terms are as follows:

	Useful life (years)
Machinery and equipment	3-40
Motor vehicles	3
Furniture and fixtures	6-10
Leasehold improvements	5

The expected useful life, residual value and depreciation method are evaluated every year for the probable effects of changes arising in the expectations and are accounted for prospectively.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal.

Gains or losses on disposals or suspension of property and equipment are determined by sale revenue less net book value and collected amount and included in the related other income or other expense accounts, as appropriate.

Intangible assets

Key money

Key money comprises payments made to former franchisees of the Group to obtain franchising rights back from them (e.g. the area map and related rights). Key money is capitalised as long-lived assets and amortised over five years on a straight-line basis and subject to impairment reviews. Impairment reviews for key money are undertaken if events or changes in circumstances indicate a potential impairment.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

Intangible assets continued

Franchise contracts

Franchise contracts are composed of fees paid for the acquisition of the master franchise for the markets in which the Group operates. These are carried at cost less accumulated amortisation and any impairment loss. The useful economic lives of the assets are ten years and are amortised on a straight-line basis.

Software

Computer software, amongst others for online customer interface and financial reporting, is carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised at the cost incurred to acquire and bring into use the specific software. Internally developed computer software programmes are capitalised to the extent that costs can be separately identified and attributed to software programmes, measured reliably, and that the asset developed can be shown to generate future economic benefits. These assets are considered to have finite useful lives and are amortised on a straight-line basis over the estimated useful economic lives of each of the assets, considered to be between three and five years. Estimated useful lives and the amortisation method are reviewed at the end of each year and the effect of any change in the estimate is accounted for prospectively.

Advertising, promotion and marketing costs are not capitalised and are recognised in the income statement.

Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the acquisition method in accordance with IFRS 3.

The consideration transferred for a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquired business and, in addition, any costs directly attributable to the business combination. The cost of the business combination at the date of the acquisition is adjusted if a business combination contract includes clauses that enable adjustments to the cost of the business combination depending on events after the acquisition date, and the adjustment is measurable more probable than not. Costs of the acquisition are recognised in the related period.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the non-controlling interest in the acquire.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use is the present value of estimated future cash flows expected to arise from the use of an asset and from its disposal at the end of its useful life while the fair value less cost to sell is the amount that will be collected from the sale of the asset less costs of disposal.

Estimated future cash flows are typically based on five-year forecasts and terminal values are considered where the asset has an indefinite useful economic life. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised on the income statement. Foreign exchange gains and losses related to operational activities are classified above operating profit, whereas foreign exchange gains and losses related to financing are classified below operating profit. See Note 2.4 regarding presentation currency.

Lease transactions

The Group as the lessee

The Group leases various offices, warehouses, retail stores and cars. Rental contracts are typically entered into for fixed periods of three to five years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements are not included in net debt calculations on loan covenants and therefore do not affect the covenant ratios of the Group.

In terms of cash outflows, each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease transactions are subject to the same rules as other temporary differences. The Company considers the lease as a single transaction in which the asset and liability are integrally linked, so there is no net temporary difference at inception. Subsequently, as differences arise on settlement of the liability and the amortisation of the leased asset, there will be a net temporary difference on which deferred tax is recognised.

Right-of-use assets

Right-of-use assets comprising mainly of stores and vehicles are measured at cost less accumulated depreciation and impairment losses. The right-of-use asset is initially recognised at cost, comprising:

(a) amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group performs subsequent measurement for the right-of-use asset by:

(a) netting-off depreciation and reducing impairment losses from the right-of-use assets; and

(b) adjusting for certain remeasurements of the lease liability recognised at the present value.

Depreciation is computed on a straight-line basis over the estimated useful lives, weighing the estimated life of the asset, future economic benefits expected and lease term of the asset and chooses the shorter of the three. The depreciation terms are as follows:

	Useful life (years)
Properties	5
Motor vehicles	4-5

For the purpose of impairment testing, right-of-use assets are allocated to each of the stores. Each store to which the right-of-use assets are allocated represents the lowest level within the entity at which the right-of-use assets are monitored for internal management purposes. Right-of-use assets are monitored at the store level. Impairment reviews for right-of-use assets are undertaken if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

Lease transactions continued

Right-of-use assets continued

Payments associated with the leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. There are no residual value guarantees and the initial direct costs are negligible.

Sub-leases

The Group operates as intermediate lessor for a significant proportion of its leases. The Group has evaluated its rent agreements and classified its sub-leases as financial leases as required in IFRS 16.

Where the Group recognised a leasing agreement from a sub-lease transaction, classified as financial leasing, the right-of-use asset from the head-lease is derecognised and a lease receivable equal to the derecognised right-of-use assets is recognised.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

(a) fixed payments, including in-substance fixed payments; and
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

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.

(i) Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. Most of the extension and termination options held are exercisable both by the Group and by the respective lessor.

Extension options are available for all contracts. In more than 90% of the contracts, DP Eurasia has the right to extend the contract unilaterally, which does not need the consent of the landlord. Periods covered by an option to extend the lease term are included in the lease term if the lessee is reasonably certain to exercise that option. The same rationale applies to termination options. The term covered by a termination option is not included in the lease term if the lessee is reasonably certain not to exercise the option. Otherwise, the lease term ends at the point in time when the leasee can exercise the termination option.

(i) Critical judgements in determining the lease term

Lease terms are generally negotiated locally. Contracts are negotiated on an individual basis and contain a wide range of terms and conditions, such as early termination clauses and renewal rights. Termination clauses and renewal rights are included in several leases across the Group's lease agreements. They are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a renewal right, or not exercise a termination clause. Both options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

After the commencement date, the Group reassesses the lease term for each contract if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. Critical judgements used in determining the lease terms are:

- the Group extends the lease term of properties' lease contracts between one and five years; and
- the Group does not extend the lease term on the vehicles' lease contracts.

During the current financial year, there were no revisions related to initially recognised lease liabilities.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

Lease liability continued

(i) Extension and termination options continued

(i) Critical judgements in determining the lease term continued

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. Factors that are considered in terminating or renewing leases include, amongst others:

- location of the store;
- leasehold improvements made with a significant remaining value; and
- costs and business disruption required to replace a leased asset.

(ii) Discount rates used

The discount rate to be used should be the interest rate implicit in the lease if that rate can be readily determined. This is the rate of interest that causes the present value of: (a) lease payments; and (b) the unguaranteed residual value to equal the sum of: (i) the fair value of the underlying asset; and (ii) any initial direct costs of the lessor. However, since the implicit rate cannot be readily determined, the incremental borrowing rate is used in calculating the present value of lease payments during the lease terms that are not paid at that date. Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate is calculated separately for each operating company, based on currencies that lease agreements are based on. The rate is calculated based on a build-up approach whereby each category of lease has an incremental borrowing rate based on the country (and currency) of the lessee and the lease term. The Group uses recent third-party financing from banks and adjusts (if necessary) to reflect changes in financing conditions.

The discount rate is a key variable for lease liabilities and a 1% increase or decrease in the discount rate would decrease or increase total lease liabilities by approximately TRY 3,684 and TRY (4,055), respectively.

(iii) Variable elements used

The variable element is the rent increase rate and is calculated based on the consumer price index (“CPI”), producer price index (“PPI”) or an average of both. Variable lease payments are based on an index or a rate and are initially measured using the index or the rate at the commencement date.

Estimation uncertainty arising from variable lease payments

The Group does not forecast future changes of the index/rate; these changes are considered when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in the income statement when the event or condition that triggers those payments occurs.

Nearly 90% of future lease payments for stores are linked to CPI, PPI or an average of both. Variable payment terms are mostly used to make up for the volatile inflation rates in a country.

Exemptions and simplifications

Payments for leases of low-value assets such as IT equipment (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities within the scope of IFRS 16. Lease payments of these contracts continue to be recognised in profit or loss in the related period.

Provisions, contingent assets and liabilities

Provisions are recognised in the consolidated financial statements when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used to calculate the present value of the provision should be the pre-tax rate reflecting the functional current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

A possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group have not been recognised in these consolidated financial statements and are treated as contingent liabilities and contingent assets.

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

Volume rebate advances

Volume rebates received in advance are recognised as income within cost of sales on an accruals basis on the expected entitlement earned up to the statement of financial position date. Up-front fees received as volume rebates are recognised as a liability in the financial statements.

Performance bonus accruals

Realisation of the performance bonus depends on the financial and non-financial performance of the Group. Performance bonus accrual is recognised when the Group achieves its minimum requirements and recognised within related payroll expense accounts.

Related parties

Key management personnel, including Directors of the Company and its subsidiaries and members of the senior leadership team, together with their families and companies controlled by or affiliated with them, are considered and referred to as related parties. The Group has determined key management personnel as Executive Directors, members of the Board of Directors and the leadership team. All transactions between related parties have been made considering an arm's length policy.

Parties are considered related to the Group if directly, or indirectly through one or more intermediaries, the party:

- is an associate of the Group;
- is a joint venture in which the Group is a venture;
- is a member of the key management personnel of the Group or its parent;
- is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to; and
- has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Taxes

Current and deferred tax

Taxes on income for the year comprise current tax and the change in deferred income taxes. Current year tax liability consists of the taxes calculated over the taxable portion of the current year income by reference to corporate income tax rates enacted as at the date of the statement of financial position and adjustments provided for the previous years' income tax liabilities.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

The Group recognises tax assets for the tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Employment termination benefit

Provision for employment termination benefits, as required by Turkish labour law, represents the estimated present value of the total reserve of the future probable obligation of the Group companies operating in Turkey arising in case of the retirement of the employees, termination of employment without due cause or call for military service. The provision is based upon actuarial estimations using the estimated liability method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded to the income statement and movements through the statement of changes in equity in the period in which they arise.

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave and bonuses are accrued in the year in which the associated services are rendered by the employees. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the unified social tax for its employees in its Russian operations.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

Unused vacation rights

Unused vacation rights accrued in the consolidated financial statements represent the estimated total liabilities related to employees' unused vacation days as at the statement of financial position date.

Share-based incentives

Share-based compensation benefits are provided to members of management via various incentive plans. Information relating to the equity-settled incentive scheme is set out in Note 20.

The fair value of options and share awards granted are recognised as a share-based payment expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the awards granted:

- including any market performance conditions (e.g. the entity's share price); and
- excluding the impact of any service and non-market performance vesting conditions (e.g. remaining an employee of the Group over a specified time).

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Earnings/(loss) per share

Earnings per share disclosed in the consolidated income statement is determined by dividing net income/(loss) by the weighted average number of shares circulating during the year concerned.

Statement of cash flows

The Group has used the indirect method to prepare the consolidated statement of cash flows. Cash flows in foreign currencies have been translated at transaction rates.

Subsequent events

The Group adjusts the amounts recognised in the consolidated financial statements to reflect the adjusting events after the statement of financial position date. If non-adjusting events after the statement of financial position date have material influences on the economic decisions of users of the consolidated financial statements, they are disclosed in the notes to the consolidated financial statements.

One-off items

Regarding the one-off items policy approved by the Group management, in the presentation of the consolidated income statement, the Group separates one-off items in order to disclose significant non-recurring items and income/expenses which are assumed by the Group management as not part of the normal course of business.

A one-off item is a one-time cost or gain, or series of connected costs or gains, greater than TRY 500 that is non-recurring, does not arise in the ordinary course of business, but from circumstances or events that are approved by Group management, such as:

- business combinations (including integration and restructuring costs);
- public offerings;
- litigation settlements;
- significant disposals of assets and businesses;
- other non-recurring events such as:
  - share-based incentives; or
  - excess pension charges such as those arising from a change in legislation and income arising from curtailments of pension plans.

One-off items are applied on a consistent and accrual basis in the consolidated financial statements. In the presentation of the consolidated income statement, the Group separates one-off items in order to disclose significant non-recurring items and income/expenses which are assumed by the Group management as not part of the normal course of business. The principal events which may give rise to a one-off item include the restructuring and integration of businesses, public offerings, material litigation costs/gains, the cost of implementing a cost containment programme, income and expenses arising from significant disposals of assets and businesses, sheltered abnormal cost and other specific income and expenses such as share-based incentives and excess pension charges. The Group discloses the consolidated income statement in this way as it provides relevant information which is more closely aligned to how management monitors the performance of the Group.

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

Segment reporting

The Group had two business segments, determined by management according to the information used for the evaluation of performance and the allocation of resources: the Turkish and Russian operations. Other operations are composed of corporate expenses of Dutch companies. These segments are managed separately because they are affected by economic conditions and geographical positions in terms of risks and returns. However, along with the intention to sell-out Russian operations, the Company has presented operational results of Russian operations in the "discontinued operations" line in its consolidated statement of comprehensive income in the year ending 31 December 2022 and the presentation for the year ending 31 December 2021 has been restated in accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'. As a result, segment reporting disclosures are presented as Turkey and other segments.

IFRS 8 requires operating segments to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team, including the Chief Executive Officer, Chief Strategy Officer and Chief Financial Officer.

The Group management assesses the performance of operating segments by the earnings before interest, tax, depreciation and amortisation ("EBITDA"), adjusted net debt, adjusted net income and adjusted earnings per share figures generated by adjusting the EBITDA, net debt, net income and earnings per share calculated based on the financial statements prepared in accordance with IFRS with necessary adjustments and reclassifications. Those adjustments and reclassifications are adding back the net effect of the time difference and foreign exchange gains and losses generated from commercial operations in accordance with IFRS and the one-off items policy as reflected above.

EBITDA calculated based on this approach is defined as "adjusted EBITDA". Management primarily uses the adjusted EBITDA measure when making decisions about the Group's activities. As EBITDA and adjusted EBITDA are non-GAAP measures, adjusted EBITDA and adjusted operating profit measures used by other entities may not be calculated in the same way and hence are not directly comparable.

Group management assesses liquidity and levels of borrowing by net debt (total borrowings less cash and cash equivalents) and by additionally removing the effect of long-term guarantee deposits and cash in transit not included in the year-end cash balance to arrive at adjusted net debt. Management primarily uses the adjusted net debt measure when making decisions about the Group's financing. As net debt and adjusted net debt are non-GAAP measures, adjusted net debt measures used by other entities may not be calculated in the same way and hence are not directly comparable.

Assets and liabilities held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. Prior year classification of such assets and liabilities has not been restated.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and respective balances for the prior years have been restated accordingly.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 2 – Basis of presentation of consolidated financial statements continued

2.6 Significant accounting estimates

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for assets and liabilities at the statement of financial position date and bases for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting period. The Group makes estimates and assumptions concerning the future, which, by definition, may not equate to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

The areas involving significant estimates or judgements are:

- impairment tests for goodwill (Note 11);
- impairment tests for tangible and intangible assets (Notes 8 and 9);
- right-of-use assets, lease receivables and liabilities (Note 10);
- non-deductible expenses on corporate income tax liability calculation (Note 19); and
- intention to sell-out Russian operation (Note 24).

Significant judgements or estimates are disclosed in the related notes.

Note 3 – Segment reporting

The business operations of the Group are organised and managed with respect to geographical positions of its operations. The information regarding the business activities of the Group as at 31 December 2022 and 2021 comprise the performance and the management of its Turkish operations and headquarters.

In previous year, the Group had three business segments, Turkey, Russian and other. Due to the intention to sales of Russian operation, the Group has reclassified the results of Russian operation as discontinued operations in the comprehensive income The segment results of Russian operations has been presented in Note 24. As of 31 December 2022, the Group has two business segments, determined by management according to the information used for the evaluation of performance and the allocation of resources: the Turkish and other operations. Other operations are composed of corporate expenses of Dutch companies. These segments are managed separately because they are affected by economic conditions and geographical positions in terms of risks and returns.

Due to initial application of IAS 29 and its impact on the comparative periods, management information presented in segment reporting have been restated in accordance with IAS 29 application.

The segment analysis for the periods ended 31 December 2022 and 2021 is as follows:

1 January - 31 December 2022	Turkey	Other	Total
Corporate revenue	512,567	–	512,567
Franchise revenue and royalty revenue obtained from franchisees	1,547,498	–	1,547,498
Other revenue	159,638	–	159,638
Total revenue	2,219,703	–	2,219,703
– At a point in time	***2,217,863***	–	***2,217,863***
– Over time	***1,840***	–	***1,840***
Operating profit	218,979	(29,959)	189,020
Capital expenditure	82,323	–	82,323
Tangible and intangible disposals	(16,861)	–	(16,861)
Depreciation and amortisation expenses	109,923	–	109,923
Adjusted EBITDA	336,638	(25,589)	311,049

1 January - 31 December 2022	Turkey	Other	Total
Borrowings			
TRY	709,889	–	709,889
RUB	–	84,266	84,266
	709,889	84,266	794,155
Lease liabilities			
TRY	195,323	–	195,323
RUB	–	–	–
	195,323	–	195,323
Total	905,212	84,266	989,478

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 3 – Segment reporting continued

1 January - 31 December 2021	Turkey	Other	Total
Corporate revenue	565,914	—	565,914
Franchise revenue and royalty revenue obtained from franchisees	1,365,414	—	1,365,414
Other revenue	131,419	—	131,419
Total revenue	2,062,747	—	2,062,747
– At a point in time	*2,051,277*	—	*2,051,277*
– Over time	*11,470*	—	*11,470*
Operating profit	216,926	(20,754)	196,172
Capital expenditure	65,458	—	65,458
Tangible and intangible disposals	(3,033)	—	(3,033)
Depreciation and amortisation expenses	90,811	—	90,811
Adjusted EBITDA	313,097	(17,590)	295,507

1 January – 31 December 2021	Turkey	Other	Total
Borrowings			
TRY	540,738	—	540,738
RUB	—	211,320	211,320
	540,738	211,320	752,058
Lease liabilities			
TRY	372,764	—	372,764
RUB	—	—	—
	372,764	—	372,764
Total	913,502	211,320	1,124,822

EBITDA, adjusted EBITDA, net debt, adjusted net debt, adjusted net income and non-recurring and non-trade income/expenses are not defined by IFRS. The amounts provided with respect to operating segments are measured in a manner consistent with that of the financial statements. These items, determined by the principles defined by Group management, comprise income/expenses which are assumed by the Group management to not be part of the normal course of business and are non-recurring items. These items, which are not defined by IFRS, are disclosed by Group management separately for a better understanding and measurement of the sustainable performance of the Group.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 3 – Segment reporting continued

Turkey	31 Dec 2022	31 Dec 2021
Adjusted EBITDA[1]	**336,638**	313,097
Non-recurring and non-trade (income)/expenses per Group management[1]		
One-off non-trading costs	**2,847**	—
Share-based incentives	**4,889**	5,360
EBITDA	**328,902**	307,737
Depreciation and amortisation	**(109,923)**	(90,811)
Operating profit	**218,979**	216,926

Other	31 Dec 2022	31 Dec 2021
Adjusted EBITDA[1]	**(25,589)**	(17,590)
Non-recurring and non-trade (income)/expenses per Group management [1]		
One-off non-trading costs	**4,370**	3,164
EBITDA	**(29,959)**	(20,754)
Depreciation and amortisation	**—**	—
Operating loss	**(29,959)**	(20,754)

(1) Adjusted net income and non-recurring and non-trade income/expenses are not defined by IFRS. Adjusted net income excludes income and expenses which are not part of the normal course of business and are non-recurring items. Management uses this measurement basis to focus on core trading activities of the business segments, and to assist it in evaluating underlying business performance.

The reconciliation of adjusted EBITDA for 2022 and 2021 is as follows:

1. EBITDA, adjusted EBITDA and non-recurring and non-trade income/expenses are not defined by IFRS. These items are determined by the principles defined by Group management and comprise income/expenses which are assumed by Group management to not be part of the normal course of business and are non-trading items. These items, which are not defined by IFRS, are disclosed by Group management separately for a better understanding and measurement of the sustainable performance of the Group; and
2. the reason for the significant increase in one-off non-trading costs is mainly related to impairment expenses of the tangible and intangible assets and consultancy expenses due to the cost reduction programme.

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 3 – Segment reporting continued

The reconciliation of adjusted net income from continuing operations as at 31 December 2022 and 2021 is as follows:

	2022	2021
(Loss)/Profit for the period as reported	202,049	134,239
Non-recurring and non-trade (income)/ expenses per Group management		
Share-based incentives	4,889	5,360
One-off expenses/(income)[2]	7,217	3,164
Adjusted net income for the period[1]	214,155	142,763

(1) Adjusted net income and non-recurring and non-trade income/expenses are not defined by IFRS. Adjusted net income excludes income and expenses which are not part of the normal course of business and are non-recurring items. Management uses this measurement basis to focus on core trading activities of the business segments, and to assist it in evaluating underlying business performance.

(2) As at 31 December 2022, the one-off expenses include TRY 20,576 impairment expense of tangible and intangible assets and TRY 1,501 severance payment expenses.

The average headcount for the Group is as follows:

	2022		2021	
Category of activities	Turkey	Netherlands	Turkey	Netherlands
Executive and senior management	12	3	11	3
Store employees	1,155	–	1,288	–
Support employees	241	–	227	–
Support – other	5	–	–	–
Commissary employees	41	–	44	–
Total	1,454	3	1,570	3

Note 4 – Revenue and cost of sales

	2022	2021
Corporate revenue	512,567	565,914
Franchise revenue and royalty revenue obtained from franchisees	1,547,498	1,365,414
Other revenue[1]	159,638	131,419
Revenue	2,219,703	2,062,747
Cost of sales	(1,396,461)	(1,268,290)
Gross profit	823,242	794,457

(1) Other revenue mainly includes handover income, IT income and other income from franchisee.

Revenue recognised in relation to contract liabilities

The movements of performance obligations and revenue recognised in relation to contract liabilities for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
As at 1 January	167,805	79,442
Recognised as revenue	(1,840)	(11,470)
Increases due to new franchise agreements entered	30,270	99,833
As at 31 December	196,235	167,805

Unsatisfied long-term franchisee contracts

The amount of performance obligations relating to ongoing contracts of the Group that will be recognised in the future is TRY 196,235 (31 December 2021: TRY 167,805). The Group expects that this amount will be recorded as revenue within ten to fifteen years.

Note 5 – Expenses by nature

	2022	2021
Employee benefit expenses[1]	290,817	153,380
Depreciation and amortisation expenses[1]	109,923	90,811
	400,740	244,191

(1) These expenses are accounted for in cost of sales, general administration expenses and marketing expenses.

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 6 – Financial income and expenses

Foreign exchange (losses)/gains	2022	2021
Foreign exchange gains, net	82,438	49,805
Foreign exchange gains on lease liabilities	3,080	–
	85,518	49,805

Financial income	2022	2021
Interest income on lease receivables	26,459	22,549
Interest income	83,167	30,972
	109,626	53,521

Financial expense	2022	2021
Interest expense	(170,360)	(92,312)
Interest expense on lease liabilities	(53,487)	(35,860)
Other	(16,501)	(4,568)
	(240,348)	(132,740)

Note 7 – (Loss)/profit per share

	31 Dec 2022	31 Dec 2021
Average number of shares existing during the period	145,372	145,372
Net (loss)/profit for the period attributable to equity holders of the parent	(9,041)	62,874
(Loss)/Profit per share	(0.06)	0.43

	31 Dec 2022	31 Dec 2021
Average number of shares existing during the period	145,372	145,372
Net profit from continuing operations attributable to equity holders of the parent	202,049	134,239
Earnings per share	1.39	0.92

	31 Dec 2022	31 Dec 2021
Average number of shares existing during the period	145,372	145,372
Net loss from discontinued operations attributable to equity holders of the parent	(211,090)	(71,365)
(Loss)/profit per share	(1.45)	(0.49)

The reconciliation of adjusted earnings per share as at 31 December 2022 and 2021 is as follows:

	31 Dec 2022	31 Dec 2021
Average number of shares existing during the period	145,372	145,372
Net loss for the period from continuing operations attributable to equity holders of the parent	(9,041)	62,874
Non-recurring and non-trade expenses per Group management[1]		
Share-based incentives	4,889	5,360
One-off expenses	7,217	–
Adjusted net earnings for the period from continuing operations attributable to equity holders of the parent	3,065	71,397
Adjusted income/(loss) per share[1]	0.02	0.49

(1) Adjusted earnings per share and non-recurring and non-trade income/expenses are not defined by IFRS. The amounts provided with respect to operating segments are measured in a manner consistent with that of the financial statements. These items, determined by the principles defined by Group management, comprise income/expenses which are assumed by Group management to not be part of the normal course of business and are non-recurring items. These items, which are not defined by IFRS, are disclosed by Group management separately for a better understanding and measurement of the sustainable performance of the Group.

There are no shares or options with a dilutive effect and hence the basic and diluted earnings per share are the same.

Notes to the consolidated financial statements continued
For the year ended 31 December 2022

Note 8 – Property and equipment

	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost						
1 January 2022	142,872	93,326	284,549	300,682	4,308	825,737
Additions	9,654	14,232	19,332	706	11,986	55,910
Disposals	(10,884)	(34,419)	(64,931)	(23,075)	(27,791)	(161,100)
Transfers	4,908	—	125	(457)	(4,576)	—
Currency translation adjustments	53,458	241	3,952	36,175	1,941	95,767
Effect of disposal of subsidiaries	(162,471)	(491)	(11,080)	(131,073)	(1,944)	(307,059)
31 December 2022	37,537	72,889	231,947	182,958	(16,076)	509,255
Accumulated depreciation						
1 January 2022	(81,645)	(66,289)	(207,795)	(258,945)	—	(614,674)
Additions	(24,578)	(11,143)	(21,252)	(18,844)	—	(75,817)
Disposals	6,071	26,860	61,516	41,491	—	135,938
Currency translation adjustments	(31,450)	(210)	(2,563)	(32,063)	—	(66,286)
Effect of disposal of subsidiaries	107,561	415	8,626	118,559	—	235,161
31 December 2022	(24,041)	(50,367)	(161,468)	(149,802)	—	(385,678)
Net book value	13,496	22,522	70,479	33,156	(16,076)	123,577

(1) Impact of assets transferred to asset held for sale.

Depreciation expense of TRY 62,019 has been charged in cost of sales and TRY 13,798 has been charged in general administrative expenses.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 8 – Property and equipment continued

	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost						
1 January 2021	121,821	61,068	264,422	287,537	5,100	739,948
Additions	2,322	26,768	11,653	2,291	544	43,578
Disposals	(1,810)	(3,844)	(4,073)	(1,787)	(699)	(12,213)
Transfers	49	11	1,322	(598)	(784)	—
Impairment	—	—	—	(5,446)	—	(5,446)
Currency translation adjustments	20,490	9,323	11,225	18,685	147	59,870
31 December 2021	142,872	93,326	284,549	300,682	4,308	825,737
Accumulated depreciation						
1 January 2021	(64,458)	(50,756)	(188,741)	(232,866)	—	(536,821)
Additions	(10,098)	(9,207)	(11,586)	(15,795)	—	(46,686)
Disposals	902	3,844	3,084	1,350	—	9,180
Impairment	—	—	—	3,525	—	3,525
Currency translation adjustments	(7,991)	(10,170)	(10,552)	(15,159)	—	(43,872)
31 December 2021	(81,645)	(66,289)	(207,795)	(258,945)	—	(614,674)
Net book value	61,227	27,037	76,754	41,737	4,308	211,063

Amortisation expense of TRY 38,186 has been charged in cost of sales and TRY 8,500 has been charged in general administrative expenses.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 9 – Intangible assets

	Key money	Computer software	Total
Cost			
1 January 2022	83,927	318,506	402,433
Additions	3,257	55,054	58,311
Disposals	(20,707)	(22,256)	(42,963)
Currency translation adjustments	2,835	31,344	34,179
Effect of disposal of subsidiaries	(7,225)	(93,806)	(101,031)
31 December 2022	62,087	288,842	350,929
Accumulated depreciation			
1 January 2022	(55,778)	(229,364)	(285,142)
Additions	(8,173)	(29,107)	(37,280)
Disposals	13,440	22,009	35,449
Currency translation adjustments	(1,043)	(15,707)	(16,750)
Effect of disposal of subsidiaries	2,441	42,323	44,764
31 December 2022	(49,113)	(209,846)	(258,959)
Net book value	12,974	78,996	91,970

(1) Impact of assets transferred to asset held for sale.

Amortisation expense of TRY 17,137 has been charged in cost of sales and TRY 20,143 has been charged in general administrative expenses.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 9 – Intangible assets continued

	Key money	Computer software	Total
Cost			
1 January 2021	87,607	260,233	347,840
Additions	481	32,098	32,579
Disposals	(15,185)	(3,368)	(18,553)
Currency translation adjustments	11,024	29,543	40,567
31 December 2021	83,927	318,506	402,433
Accumulated depreciation			
1 January 2021	(44,466)	(191,724)	(236,190)
Additions	(10,588)	(34,802)	(45,390)
Disposals	5,553	740	6,293
Currency translation adjustments	(6,277)	(3,578)	(9,855)
31 December 2021	(55,778)	(229,364)	(285,142)
Net book value	28,149	89,142	117,291

As at 31 December 2021, disposals include an impairment charge of TRY 14,001.

Amortisation expense of TRY 25,405 has been charged in cost of sales and TRY 19,985 has been charged in general administrative expenses.

The Group does not have any intangible assets with an indefinite useful life.

Note 10 – Right-of-use assets

Details of right-of-use assets as at 31 December 2022 and 2021 are as follows:

Right-of-use assets	31 Dec 2022	31 Dec 2021
Stores and building	**90,766**	200,658
Cars	**7,776**	18,311
	98,542	218,969

Details of lease receivables as at 31 December 2022 and 2021 are as follows:

	31 Dec 2022	31 Dec 2021
Lease receivables		
Current	**13,676**	32,270
Non-current	**95,272**	109,391
	108,948	141,661

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 10 – Right-of-use assets continued

Details of lease liabilities as at 31 December 2022 and 2021 are as follows:

	31 Dec 2022	31 Dec 2021
Lease liabilities		
Current	**42,901**	91,072
Non-current	**152,422**	281,692
	195,323	372,764

Movement of right-of-use assets

	Stores and building	Vehicles	Total
Cost			
1 January 2022	402,209	27,785	429,994
Additions	166,398	4,807	171,205
Disposals	(319,042)	(287)	(319,329)
Effect of disposal of subsidiaries	(260,044)	—	(260,044)
Currency translation adjustments	130,173	—	130,173
31 December 2022	119,694	32,305	151,999
Accumulated depreciation			
1 January 2022	(201,551)	(9,474)	(211,025)
Additions	(103,526)	(16,162)	(119,688)
Disposals	242,199	1,107	243,306
Effect of disposal of subsidiaries	112,279	—	112,279
Currency translation adjustments	(78,329)	—	(78,329)
31 December 2022	(28,928)	(24,529)	(53,457)
Net book value	90,766	7,776	98,542

For the year ended 31 December 2022, depreciation expense of TRY 103,854 has been charged to cost of sales and TRY 15,834 has been charged to general administrative expenses (31 December 2021: TRY 31,912 and TRY 4,865 respectively).

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 10 – Right-of-use assets continued

	Stores and building	Vehicles	Total
Cost			
1 January 2021	262,797	11,983	274,780
Additions	90,259	16,817	107,076
Disposals	(51,429)	(1,015)	(52,444)
Currency translation adjustments	100,582	—	100,582
31 December 2021	402,209	27,785	429,994
Accumulated depreciation			
1 January 2021	(96,022)	(5,450)	(101,472)
Additions	(32,750)	(4,027)	(36,777)
Disposals	38,241	3	38,244
Currency translation adjustments	(111,020)	—	(111,020)
31 December 2021	(201,551)	(9,474)	(211,025)
Net book value	200,658	18,311	218,969

In 2022, interest expense on lease liabilities is TRY 53,487 and the total amount of interest of sub-lease expense is TRY 26,459 (31 December 2021: TRY 35,860 and TRY 22,549 respectively).

In 2022, the total cash outflow for principal of leases and interest of leases is TRY 107,176 and TRY 53,487 respectively. In 2022, the total cash inflow for interest of leases is TRY 26,459 (31 December 2021: TRY 109,466, TRY 31,051 and TRY 15,839 respectively).

Note 11 – Goodwill

Movement of goodwill is as follows:

	31 Dec 2022	31 Dec 2021
1 January	**251,210**	251,210
Effect of disposal of subsidiary	**(16,613)**	—
31 December	**234,597**	251,210

Management has carried out an impairment test and concluded that the recoverable amount of the individual CGUs is higher than the carrying amount. The goodwill relating to the Russian CGU has been classified as asset held for sale in the amount of TRY 16,613. Remaining balance is only related to Turkish CGU.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 11 – Goodwill continued

Goodwill impairment test

In accordance with IFRS and the accounting policies explained in Note 2.5, the Group performs impairment tests on goodwill to assess whether impairment exists. The Group is obliged to test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired, as goodwill is deemed to have an indefinite useful life.

In order to perform this test, management is required to compare the carrying value of the relevant cash-generating unit ("CGU"), defined as stores of the Group including goodwill, with its recoverable amount. The recoverable amounts of the CGU are determined based on a value in use calculation.

These calculations require estimations and use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. For the purpose of assessing impairment, the discounted cash flows calculated based on the Group's revenue projections for five years are compared to the carrying value of all assets in CGUs, including allocated goodwill.

The Group prepares pre-tax cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the remaining term based on the average long-term growth rate of 14.2% for the Turkish market and 2.3% for the Russian market (31 December 2021: 13.2% for the Turkish market and 3.1% for the Russian market).

Other key assumptions applied in the impairment tests include the expected product price, capital expenditures, demand for the products, product cost and related expenses which are reflected in the sales growth rate for the upcoming years. Management used a sales growth projection rate of 5.1% for Turkey and 12.3% for Russia respectively (31 December 2021: 7.4% for Turkey and 15.1% for Russia respectively). Growth projections include inflation expectations for the related CGUs; management determined these key assumptions based on past performance and its expectations on market development. Further, management applied capital expenditure increases of 7.0% for Turkey and Russia operations and pre-tax discount rates of 27.6% for 2022 and 29.8% for 2021 for Turkey and 15.8% for 2022 and for the Russian Federation to reflect country-specific Group risks.

Sensitivities – Turkish operations

The assumptions used for value in use calculations to which the recoverable amount is more sensitive are growth rate beyond five years and pre-tax discount rate. Management determined these key assumptions based on past performance and its expectations on market development. Further, management adopts different discount rates each year that reflect specific risks related to the Group as discount rates. Impairment loss has not been recognised for Turkish operations as a result of the impairment tests performed with the above assumptions as at 31 December 2022. A further test with 5% increase in WACC or 5% decrease in growth rate to the above assumptions did not result in any impairment loss, either.

Sensitivities – Russian operations

The assumptions used for value in use calculations to which the recoverable amount is more sensitive are growth rate beyond five years and pre-tax discount rate. Management determined these key assumptions based on past performance and its expectations on market development.

Impairment loss has not been recognised as a result of the impairment tests performed with the above assumptions as at 31 December 2022. A further test with a 5% adverse change to the above assumptions did not result in any impairment loss either.

Note 12 – Cash and cash equivalents

The details of cash and cash equivalents as at 31 December 2022 and 2021 are as follows:

	31 Dec 2022	31 Dec 2021
Cash	**1,392**	5,596
Banks	**120,355**	114,847
Term bank deposits (less than three months)	**171,000**	119,917
Credit card receivables[1]	**67,312**	14,340
	360,059	254,700

(2) Maturity terms of credit card receivables are 30 days on average (31 December 2021: 30 days).

There is no restricted cash as at 31 December 2022 and 2021.

The details of currency of the banks are as follows:

	31 Dec 2022	31 Dec 2021
Turkish Lira	**261,922**	192,775
Russian Roubles	**78**	273
US Dollars	**28,725**	38,479
Euro	**630**	3,237
	291,355	234,764

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 13 – Trade receivables and payables

a) Short-term trade receivables

	31 Dec 2022	31 Dec 2021
Trade receivables	**267,135**	350,745
Post-dated cheques[1]	**32,182**	38,555
	299,317	389,300
Less: Doubtful trade receivables	**(1,357)**	(3,507)
Short-term trade receivables, net	**297,960**	385,793

(1) Post-dated cheques are the receivables from franchisees resulting from store openings.

The average collection period for trade receivables is between 30 and 60 days (2021: between 30 and 60 days).

Movement of provision for doubtful receivables is as follows:

	2022	2021
1 January	**3,507**	7,003
Current year (reversals)/charges	**(778)**	(2,128)
Monetary gain/loss	**(1,372)**	(1,368)
31 December	**1,357**	3,507

The Group applied IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade, lease and other receivables based on historical losses. The Group analysed the impact of IFRS 9 and the historical losses that were incurred in 2022 also impacted the expected credit losses going forward, resulting in a disposal of TRY 764 recorded as provision for doubtful receivables (31 December 2021: TRY 588). The Group also assessed whether the historic pattern would change materially in the future. The expected credit loss applied per ageing bucket is shown as below:

Not due	0-30 days	31-90 days	91-180 days	181-360 days	Over 360 days
0.12%	1.46%	4.77%	9.93%	27.55%	52.02%

Lease receivables have no history if default and expected credit loss percentages are close to zero and its effect is immaterial, so the table below consists of only trade and other receivables.

b) Long-term trade receivables

	31 Dec 2022	31 Dec 2021
Trade receivables	**4,889**	2,123
Post-dated cheques[1]	**11,476**	19,080
	16,365	21,203

(1) Post-dated cheques are the receivables from franchisees resulting from store openings.

c) Short-term trade and other payables

	31 Dec 2022	31 Dec 2021
Trade payables	**350,533**	388,000
Other payables	**3,886**	7,363
	354,419	395,363

The weighted average term of trade payables is less than three months; short-term payables with no stated interest are measured at original invoice amount unless the effect of imputing interest is significant (31 December 2022 and 2021: less than three months).

Note 14 – Transactions and balances with related parties

The details of receivables and payables from related parties as at 31 December 2022 and 2021 and transactions are as follows:

a) Key management compensation

	31 Dec 2022	31 Dec 2021
Short-term employee benefits	**37,035**	36,075
Share-based incentives	**4,889**	2,482
	41,924	38,557

There are no loans, advance payments or guarantees given to key management.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 14 – Transactions and balances with related parties continued

b) Board compensation

	Executive Directors		Non-Executive Directors					
Year ended 31 December 2022	**Aslan Saranga**	**Frederieke Slot**	**Peter Williams**	**David Adams**	**Ahmet Ashaboğlu**	**Burak Ertaş**	**Shyam S. Bartia**	**Hari S. Bartia**
Base salary (TRY)	**5,057,348**	**2,243,180**	**3,046,890**	**731,254**	**170,292**	**343,923**	**—**	**—**
Benefits (TRY)	**427,428**	**399,189**	**—**	**—**	**—**	**—**	**—**	**—**
Pension (TRY)	**—**	**224,318**	**—**	**—**	**—**	**—**	**—**	**—**
Annual bonus (TRY)	**5,800,063**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Long-term incentives (TRY)	**4,766,765**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total (TRY)	**16,051,604**	**2,866,687**	**3,046,890**	**731,254**	**170,292**	**343,923**	**—**	**—**
Total (local currency)	**₺16,051,604**	**£165,169**	**£150,000**	**£36,000**	**£8,384**	**£16,932**	**—**	**—**

	Executive Directors		Non-Executive Directors					
Year ended 31 December 2021	Aslan Saranga	Frederieke Slot	Peter Williams	David Adams	Ahmet Ashaboğlu	Burak Ertaş	Shyam S. Bartia	Hari S. Bartia
Base salary (TRY)	3,013,325	1,052,560	1,514,515	415,987	—	—	—	—
Benefits (TRY)	1,567,657	239,721	—	—	—	—	—	—
Pension (TRY)	—	21,930	—	—	—	—	—	—
Annual bonus (TRY)	1,868,262	—	—	—	—	—	—	—
Long-term incentives (TRY)	1,164,469	—	—	—	—	—	—	—
Total (TRY)	7,613,713	1,314,211	1,514,515	415,987	—	—	—	—
Total (local currency)	₺7,613,713	£145,918	£125,000	£34,333	—	—	—	—

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 14 – Transactions and balances with related parties continued

b) Board compensation continued

Notes to the table – methodology

Base salary

This represents the cash paid or receivable in respect of the financial year.

Benefits

This represents the taxable value of all benefits paid or receivable in respect of the relevant financial year. Aslan Saranga's benefits included private health cover and company car. Frederieke Slot's benefits included medical disability allowance, mobility allowance and education, communication and IT allowances.

Pension

Frederieke Slot receives a pension allowance worth 2% of base salary. Aslan Saranga receives no pension allowance. They will additionally both receive other benefits consistent with local market practice.

Annual bonus

This represents the total bonus payable for the relevant financial year under the ADBP. In 2022, the Chief Executive Officer's annual bonus was based on 75% of the Group EBITDA and 25% on strategic measures.

Long-term incentives

This row relates to the expense recognised for the LTIP awards during the period in accordance with IFRS. Please note that in the remuneration report on pages 111 to 115, the value of vested LTIP awards is included in the remuneration table. Since no LTIP awards have been vested to Executive Directors during the period, this column has a zero figure in the remuneration report.

In May 2019, Aslan Saranga was granted an LTIP award over 332,706 shares vesting in May 2022 subject to achievement of adjusted EBITDA targets measured over the period 2019-2021. As the performance condition was not achieved, no shares will vest for Aslan Saranga in May 2022.

In May 2020, Aslan Saranga was granted an LTIP award over 506,212 shares vesting in May 2023 subject to achievement of adjusted EBITDA targets measured over the period 2020-2022.

Local currency totals

Part of Aslan Saranga's remuneration and the whole of Frederieke Slot's remuneration is paid in Euros and Peter Williams' and Tom Singer's remuneration is wholly paid in Pound Sterling. Total amounts received by each individual in local currency are shown in the final row of the above table. In the other columns of the table, remuneration has been converted into Turkish Lira for consistency with the financial statements.

Note 15 – Inventories

	31 Dec 2022	31 Dec 2021
Raw materials	**233,704**	214,496
Other inventory	**5,110**	9,447
Total	**238,814**	223,943

The cost of inventories recognised as expense and included in "cost of sales" amounted to TRY 1,082,737 in 2022 (2021: TRY 656,091).

Note 16 – Other current/non-current receivables, assets and liabilities

Other current receivables and assets	31 Dec 2022	31 Dec 2021
Advance payments(1)	**145,328**	112,609
Lease receivables	**13,676**	32,270
Prepaid marketing expenses	**7,335**	5,379
Contract assets related to franchising contracts(2)	**2,953**	7,426
Prepaid insurance expenses	**2,664**	1,815
Prepaid taxes and VAT receivable	**762**	1,297
Deposits for loan guarantees(3)	**–**	37,583
Other(4)	**3,108**	3,297
Total	**175,826**	201,677

(1) As at 31 December 2022 and 2021, advance payments are composed of advances given to suppliers for purchasing raw materials and other services.

(2) The Group incurs certain costs with Domino's Pizza International related to the setup of each franchise contract and IT systems used for recording of franchise revenue.

(3) In 2021, the Group repaid a portion of its loans to Sberbank Moscow and the TRY 37,583 (RUB 205 million) cash deposit condition that was made as collateral by Fidesrus. This amount has been reclassified in the "Asset held for sale" line in the balance sheet.

(4) As at 31 December 2022 and 2021, other includes job and personnel advances, short-term security deposits and other prepayments such as subscriptions and travel expenses.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 16 – Other current/non-current receivables, assets and liabilities continued

Other non-current receivables and assets	31 Dec 2022	31 Dec 2021
Lease receivables	**95,272**	109,391
Prepaid marketing expenses	**44,463**	36,565
Contract assets related to franchising contracts[1]	**20,337**	15,356
Deposits given	**4,615**	11,835
Other non-current assets	**–**	1,094
Total	**164,687**	174,241

(1) The Group incurs certain costs with DP International related to the set up of each franchise contract and IT systems used for recording of franchise revenue.

Other current liabilities	31 Dec 2022	31 Dec 2021
Performance bonuses	**29,585**	31,034
Contract liabilities from franchising contracts[1]	**25,779**	50,703
Taxes and funds payable	**21,151**	15,257
Social security premiums payable	**11,845**	8,370
Payable to personnel	**10,244**	15,968
Unused vacation liabilities	**8,495**	14,825
Advances received from franchisees	**5,696**	7,037
Volume rebate advances	**–**	3,424
Other expense accruals	**23,165**	22,180
Total	**135,960**	168,798

(1) The Group incurs certain revenue with the set up of each franchise contract and these franchise fee revenues are deferred over the period of the franchise agreement.

Other non-current liabilities	31 Dec 2022	31 Dec 2021
Contract liabilities from franchising contracts[1]	**147,166**	94,319
Unearned revenue	**7,740**	19,119
Long-term provisions for employee benefits	**13,693**	6,883
Other	**–**	5,133
Total	**168,599**	125,454

(1) The Group incurs certain revenue with the set up of each franchise contract and these franchise fee revenues are deferred over the period of the franchise agreement.

Note 17 – Financial liabilities

	31 Dec 2022	31 Dec 2021
Short-term bank borrowings	**709,889**	474,598
Short-term financial liabilities	**709,889**	474,598
Short-term portions of long-term borrowings	**19,343**	47,264
Short-term portions of long-term leases	**42,901**	91,072
Current portion of long-term financial liabilities	**62,244**	138,336
Total short-term financial liabilities	**772,133**	612,934
Long-term bank borrowings	**64,923**	230,196
Long-term leases	**152,422**	281,692
Long-term financial liabilities	**217,345**	511,888
Total financial liabilities	**989,478**	1,124,822

As at 31 December 2022, the fair value of the financial liabilities is TRY 786,632 (31 December 2021: TRY 740,308).

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 17 – Financial liabilities continued

The summary information of short-term and long-term bank borrowings is as follows:

31 December 2022 Currency	Maturity	Interest rate (%)	Short-term	Long-term
TRY borrowings	**Revolving**	**16.95%**	**709,889**	**–**
RUB borrowings	**2025**	**9.70%-14.30%**	**19,343**	**64,923**
			729,232	**64,923**

31 December 2021 Currency	Maturity	Interest rate (%)	Short-term	Long-term
TRY borrowings	Revolving	19.14%	474,598	66,140
RUB borrowings	2024	9.70%-14.30%	47,264	164,056
			521,862	230,196

The loan agreement between Sberbank Moscow and Domino's Russia is subject to covenant clauses whereby the Group, Domino's Turkey and Domino's Russia are required to meet certain ratios.

As at 31 December 2022, Sberbank has waived the covenant conditions based on the EBITDA figures for all quarters of 2022; but Sberbank has not waived the covenant conditions based on the turnover, however, loans from Sberbank have already been classified as short-term under the "Liabilities for sale" line in the balance sheet.

The redemption schedule of the borrowings as at 31 December 2022 and 2021 is as follows:

	31 Dec 2022	31 Dec 2021
To be paid in one year	**729,232**	521,862
To be paid between one to two years	**41,431**	120,953
To be paid between two to three years	**23,492**	109,243
	794,155	752,058

The redemption schedule of the leases as at 31 December 2022 and 2021 is as follows:

	31 Dec 2022	31 Dec 2021
Leases to be paid in one year	**42,901**	91,072
Leases to be paid between one to two years	**62,217**	55,321
Leases to be paid between two to three years	**43,353**	95,951
Leases to be paid in three years and more	**46,852**	130,420
	195,323	372,764

Please refer to Note 23 for financial risk management disclosures.

As at 31 December 2022 and 2021, the net financial liabilities reconciliation is as follows:

	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	**360,059**	254,700
Financial liabilities and leases to be paid in one year	**(772,133)**	(612,934)
Financial liabilities and leases to be paid in one to five years	**(217,345)**	(511,888)
	(629,419)	(870,122)

	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	**360,059**	254,700
Financial liabilities and leases – fixed rate	**(989,478)**	(1,124,822)
	(629,419)	(870,122)

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 17 – Financial liabilities continued

31 December 2022	Short-term financial liabilities and leases	Long-term financial liabilities and leases	Total
1 January financial liabilities	**(612,934)**	**(511,888)**	**(1,124,822)**
Net cash flow effect, loans received	(1,144,060)	—	(1,144,060)
Net cash flow effect, loans paid	792,731	40,262	832,993
Net cash flow effect, leasing payments	118,986	40,020	159,006
Other non-cash transaction	(182,784)	(82,802)	(265,586)
Currency translation adjustments	(43,586)	(56,446)	(100,032)
Effect of disposal of subsidiaries	93,766	259,757	353,523
Inflation impact	205,748	93,752	299,500
31 December financial liabilities	**(772,133)**	**(217,345)**	**(989,478)**

(1) Other non-cash transactions are comprised of new lease additions, cancellations and/or modifications.

31 December 2021	Short-term financial liabilities and leases	Long-term financial liabilities and leases	Total
1 January financial liabilities	(286,621)	(363,052)	(649,673)
Net cash flow effect, loans received	(506,408)	51,185	(455,223)
Net cash flow effect, loans paid	315,752	—	315,752
Net cash flow effect, leasing payments	109,466	—	109,466
Other non-cash transactions[1]	(93,784)	(91,646)	(185,430)
Currency translation adjustments	(151,339)	(108,375)	(259,714)
31 December financial liabilities	(612,934)	(511,888)	(1,124,822)

(1) Other non-cash transactions are comprised of new lease additions, cancellations and/or modifications.

The reconciliation of adjusted net debt as at 31 December 2022 and 2021 is as follows:

	31 Dec 2022	31 Dec 2021
Short-term bank borrowings	**709,889**	474,598
Short-term portions of long-term borrowings	**19,343**	47,264
Short-term portions of long-term leases	**42,901**	91,072
Long-term bank borrowings	**64,923**	230,196
Long-term leases	**152,422**	281,692
Total borrowings	**989,478**	1,124,822
Cash and cash equivalents (-)	**(360,059)**	(254,700)
Net debt	**629,419**	870,122
Non-recurring items per Group management		
Guarantees from franchises	**(67,340)**	(40,747)
Adjusted net debt[1]	**562,079**	829,375

(1) Net debt, adjusted net debt and non-recurring and non-trade items are not defined by IFRS. Adjusted net debt includes guarantees taken from the franchises related to the lease liabilities. Management uses these numbers to focus on net debt to take into account deposits not otherwise considered cash and cash equivalents under IFRS.

Note 18 – Commitments, contingent assets and liabilities

a) Guarantees given and received for trade receivables are as follows:

	31 Dec 2022	31 Dec 2021
Guarantee letters given	**40,906**	67,543
	40,906	67,543

	31 Dec 2022	31 Dec 2021
Guarantee notes received	**107,418**	107,263
Guarantee letters received	**197,555**	104,677
	304,973	211,940

Guarantee notes and letters are received as collateral for trade receivables.

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 18 – Commitments, contingent assets and liabilities

b) Tax contingencies continued

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Co-operation and Development ("OECD") but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Tax liabilities arising from transactions between companies within the Group are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

c) Legal cases

The Group does not expect any material risk in any current legal cases in accordance with the opinions of its legal advisers; therefore, it has not recognised any provision for these legal cases in the consolidated financial statements as at 31 December 2022.

Note 19 – Tax assets, liabilities and tax expense

Corporate tax

The Group is subject to taxation in accordance with the tax regulations and the legislation effective in the countries in which the Group companies operate. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

The Netherlands

Dutch tax legislation does not permit a Dutch parent company and its foreign subsidiaries to file a consolidated Dutch tax return. Dutch resident companies are taxed on their worldwide income for corporate income tax purposes at a statutory rate of 25.8%. No further taxes are payable on this profit unless the profit is distributed.

Services incurred by Dutch parent companies may generally be divided into two kinds of services, being group services for which costs are incurred for the economic and commercial benefit of subsidiaries and shareholder services for which costs are incurred for activities provided in the capacity of the shareholder. All costs incurred by the Company are shareholder services (costs incurred for activities provided in the capacity of shareholder) and not group services (costs incurred for the economic or commercial benefit of subsidiaries).

Since shareholder services are not for the benefit of any one specific subsidiary, it is not required to re-charge these fees or costs to a subsidiary or to subsidiaries.

If certain conditions are met, income derived from foreign subsidiaries is tax exempted in the Netherlands under the rules of the Dutch participation exemption. However, certain costs such as acquisition costs are not deductible for Dutch corporate income tax purposes. Furthermore, in some cases the interest payable on loans to affiliated companies is non-deductible.

When income derived by a Dutch company is subject to taxation in the Netherlands as well as in other countries, generally avoidance of double taxation can be obtained under the extensive Dutch tax treaty network or under Dutch domestic law.

Dividend distributions are subject to 15% Dutch withholding tax. However, under the Netherlands' extensive tax treaty network, this rate can, in many cases, be significantly reduced if certain conditions are met.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 19 – Tax assets, liabilities and tax expense continued

Turkey

The Corporate Tax Law was amended by Law No 5520, dated 13 June 2006. Most of the articles of the new Corporate Tax Law (No 5520) came into force on 1 January 2006. Corporate tax is payable at a rate of 23% (31 December 2021: 25%) on the total income of the Group after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19.8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law Temporary Article 61).

In accordance with the amendment to the Corporate Tax Law published in the Official Gazette numbered 31462 on 22 April 2021, the corporate tax rate in Turkey, which was 20% as at 31 March 2021, was increased to 25% for 2021 and 23% for 2022. The amendment is effective from 1 January 2021.

Companies are required to pay advance corporate tax quarterly at the rate of 25% on their corporate income in Turkey. 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 corporate tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

Russia

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses as established in Chapter 25 of the Tax Code of the Russian Federation. Corporate tax is payable at a rate of 20% (31 December 2021: 20%) as identified in Article 247 of the Tax Code of the Russian Federation. Special rules may apply in cases where a different from 20% tax rate is used.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilised.

Corporate tax liability for the year consists of the following:

	31 Dec 2022	31 Dec 2021
Corporate tax calculated	–	60,028
Prepaid taxes (-)	(45,418)	(39,025)
Current income tax asset/liability	**(45,418)**	21,003

Tax income and expenses included in the statement of comprehensive income are as follows:

	2022	2021
Current period corporate tax expense	–	(70,602)
Deferred tax income/(expense)	10,736	(10,563)
Total tax expense	**10,736**	(81,165)

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 19 – Tax assets, liabilities and tax expense continued

The reconciliation of the tax expense in the statement of comprehensive income is as follows:

	2022	2021
Profit/(loss) before tax	191,313	215,404
Tax rate	25.8%	25.0%
Corporate tax at statutory rates	(49,359)	(53,851)
Disallowable expenses	(3,479)	(1,160)
Unrecognised tax losses	(8,630)	(5,369)
Differences in tax rates	4,002	(167)
Inflation adjustments, not subject to tax	(49,179)	(20,520)
Discounts and exceptions	117,487	—
Other, net	(106)	(98)
Total tax expense	10,736	(81,165)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/liabilities at 31 December 2022 and 2021 using statutory tax rates are as follows:

	31 Dec 2022		31 Dec 2021	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Carry forward tax losses[1]	—	—	72,427	14,485
Contract liabilities from franchising contracts	164,053	32,811	163,752	39,990
Right-of-use assets and lease liability	(20,732)	(4,146)	13,635	1,992
Legal provisions	3,438	688	8,904	2,226
Unused vacation liabilities	8,495	1,699	14,825	3,347
Provision for employee termination benefit	13,693	2,739	6,883	1,720
Other	(41,354)	(8,269)	(21,906)	(5,302)
Property, equipment and intangible assets	(106,695)	(21,339)	(154,327)	(39,289)
Deferred income tax assets, net		4,183		19,169

(1) Consists of carry forward losses of Domino's Russia. Total amount has been impaired during 2022.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 20 – Share-based payments

The Phantom Option Scheme

The Phantom Option Scheme was put in place prior to the initial public offering in 2017 to incentivise senior members of management. The incentive plan entitles the employees to a cash payment at the date of an exit by shareholders. The amount payable will be determined based on the difference between the equity value of the entities at the time of exit and their grant dates. Granted options will only vest if certain conditions are met, including continued employment with the Group, and if there is an event of a 100% exit by Fides Food Systems Coöperatief U.A. and Vision Lovemark Coöperatief U.A. The Phantom Option Scheme was completed in 2021 after the 100% stake sale by Turkish Private Equity Fund II L.P..

Senior management long-term incentive plan

A new share incentive scheme was put in place on 8 May 2018. According to the incentive scheme employees were granted an option to acquire shares, at a strike price of GBP 1.85 with an expiry date of 8 May 2021, based on performance targets of the Group for the upcoming three years, and continuing employment until the date of vesting. Vesting of the 2018-2020 LTIP cycle was completed as at 8 May 2021. No shares vested for Aslan Saranga or other employees as the performance condition was not met for the 2018-2020 cycle.

In May 2019, Aslan Saranga was granted an LTIP award over 332,706 shares vesting in May 2022 subject to achievement of adjusted EBITDA targets measured over the period 2019-2021. As the performance condition was not achieved, no shares will vest for Aslan Saranga in May 2022. In May 2020, Aslan Saranga was granted an LTIP award over 506,212 shares vesting in May 2023 subject to achievement of adjusted EBITDA targets measured over the period 2020-2022.

Additionally, on 7 May 2021, Aslan Saranga was granted an LTIP conditional share award which will vest in May 2024 subject to achievement of a Group adjusted EBITDA (75%) and adjusted LTIP EPS (25%) target. Aslan Saranga was entitled to receive an award worth 100% of base salary which resulted in 394,702 shares with a face value of TRY 4,455,775 based on a share price of 0.543 GBP (6 June 2022) and an exchange rate of GBP1: TRY20.79 (6 June 2022).

Long-term incentive plan for new Board Adviser

On 7 September 2020, Andrew Rennie, Domino's Pizza Enterprises Limited's ex-CEO of European Operations, agreed to join the Group as Board Adviser. He obtained a call option from the major shareholder Fides Coop for 4 million DPEU shares at a strike price of GBP 1.05 with an expiry date of 30 September 2022.

The weighted-average fair value of the options granted under the plan is TRY 190 per option and has been estimated using the Black-Scholes option pricing model:

Under these three existing plans, an amount of TRY 4,889 has been charged for 2022, whereas TRY 2,482 has been charged for 2021 and the cumulative charge is TRY 76,604 as at 31 December 2022 (31 December 2021: TRY 71,715).

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 21 – Equity

The shareholders and the shareholding structure of the Group at 31 December 2022 and 2021 are as follows:

	31 Dec 2022		31 Dec 2021	
	Share (%)	Amount	Share (%)	Amount
Jubilant FoodWorks Netherlands B.V.[1]	49.0	17,828	7.5	2,722
Fides Food Systems Coöperatief U.A.[1]	—	—	32.8	11,928
Public shares	45.3	16,453	54.6	19,849
Vision International N.V.[2]	5.6	2,027	4.9	1,781
Other	0.1	45	0.2	73
		36,353		36,353

(1) Fides Food Systems Coöperatief U.A. merged with Jubilant FoodWorks Netherlands B.V. (acquiring entity).

(2) Vision Lovemark Coöperatief U.A. merged with Vision International N.V. (acquiring entity).

As at 31 December 2022, the Group's 145,372,414 (31 December 2021: 145,372,414) shares are issued and fully paid for. On 3 July 2017, just prior to the IPO, the Company issued (i) 13,046,726 ordinary shares, with a nominal value of EUR 0.12 each, in the capital of the Company to Vision Lovemark Coöperatief U.A. and (ii) 117,420,534 ordinary shares, with a nominal value of EUR 0.12 each, in the capital of the Company to Fides Food Systems Coöperatief U.A., which was paid up by debiting the Company's share premium reserve by TRY 31,239. Also, on 3 July 2017, as part of its IPO, the Company issued 10,372,414 new ordinary shares with a nominal value of EUR 0.12 each. As a result, the Company's issued and outstanding share capital increased to TRY 36,353 (divided into 145,372,414 ordinary shares). After the IPO, 52.1% of the shares became public. The net proceeds received by the Company from the IPO is TRY 94,132 (TRY 9,075 per share). DP Eurasia's authorised share capital is EUR 60,000,000.

Share amount	2022	2021
1 January	145,372,414	145,372,414
Addition	—	—
31 December	**145,372,414**	145,372,414

The nominal value of each share is EUR 0.12 (2021: EUR 0.12). There is no preference stock.

Share premium

Share premium represents differences resulting from the incorporation of Fides Food by Fides Food Systems Coöperatief U.A. at a price exceeding the face value of those shares and differences between the face value and the fair value of shares issued at the IPO.

Ultimate controlling party

Jubilant Food Works Limited and Arslan Saranga, all together, are the ultimate controlling party of the Company.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 22 – Financial instruments and financial risk management

a) Capital risk management

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

To maintain or re-arrange the capital and debt structure, the Group may change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

Group management decided the capital structure by reference to the adjusted net debt by dividing the adjusted EBITDA.

	31 Dec 2022	31 Dec 2021
Total borrowings	**989,478**	1,124,821
Cash and cash equivalents (-)	**(360,059)**	(254,700)
Net debt	**629,419**	870,121
Non-recurring items per Group management		
Guarantees from franchises	**(67,340)**	(40,747)
Adjusted net debt(1)	**562,079**	829,375
Adjusted EBITDA(1)	**336,638**	313,097
Adjusted net debt/adjusted EBITDA(1)	**1.67**	2.65

(1) EBITDA, adjusted EBITDA, net debt, adjusted net debt, adjusted net income and non-recurring and non-trade income/expenses are not defined by IFRS. The amounts provided with respect to operating segments are measured in a manner consistent with that of the financial statements. These items, determined by the principles defined by Group management, comprise income/expenses which are assumed by Group management to not be part of the normal course of business and are non-recurring items. These items, which are not defined by IFRS, are disclosed by Group management separately for a better understanding and measurement of the sustainable performance of the Group.

b) Financial risk factors

The Group is exposed to a variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk, price risk and interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and performance.

b.1) Credit risk

The Group considers its maximum credit risk at 31 December 2022 to be TRY 282,543 (31 December 2021: TRY 182,563), which is the total of the Group's financial assets.

Credit risk is managed on a Group basis, except for credit risk relating to trade receivable and other receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Risk control assesses the credit quality of the customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. It is Group policy that deposits are made with repositories of BA2 credit rating or higher as defined by Moody's.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, lease receivables, other receivables and contract assets. To measure the expected credit losses, trade receivables, lease receivables, other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to payments to Domino's Pizza International and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The ageing of past due but not impaired financial assets is as follows:

	31 Dec 2022	31 Dec 2021
Less than a month	**1,155**	3,644
One to three months	**4,217**	2,205
Three to six months	**688**	829
Over six months	**274**	38
Total	**6,334**	6,716

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

Notes to the consolidated financial statements continued
For the year ended 31 December 2022

Note 22 – Financial instruments and financial risk management continued
b) Financial risk factors continued
b.1) Credit risk continued

	31 Dec 2022	31 Dec 2021
Trade receivables		
Counterparties without external credit rating		
Group 1	4,294	7,054
Group 2	311,388	402,676
Group 3	—	773
Total	315,682	410,503

- Group 1 – New customers (less than six months);
- Group 2 – Existing customers (more than six months) with no defaults in the past; and
- Group 3 – Existing customers (more than six months) with some defaults in the past.

b.2) Liquidity risk
The Group uses banks as well as its suppliers and shareholders as funding resources. The Group's liquidity risk is continuously evaluated through determining and monitoring changes in funding conditions required for achieving the targets set in the Group's strategy.

The Group manages its liquidity risk by monitoring expected and actual cash flows on a regular basis and by maintaining continuity of funds, borrowings and reserves through matching the maturities of financial assets and liabilities. The Group periodically reviews its covenant compliance and uses loans between Group companies to ensure there is enough liquidity to carry out its operations.

As at 31 December 2022 and 2021, the liquidity risks arising from the Group's financial liabilities consisted of the following:

	31 Dec 2022					
Maturities in accordance with agreements	Carrying value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities						
Borrowings	794,155	841,735	306,706	453,568	81,461	—
Leases	195,323	244,347	18,033	53,067	173,247	—
Third-party trade payables	354,419	354,418	354,418	—	—	—
Total	1,343,897	1,440,500	679,157	506,635	254,708	—

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 22 – Financial instruments and financial risk management continued

b) Financial risk factors continued

b.2) Liquidity risk continued

	31 Dec 2021					
Maturities in accordance with agreements	Carrying value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities						
Borrowings	752,058	852,702	133,676	472,231	246,795	-
Leases	372,764	512,185	35,203	105,710	328,170	43,101
Third-party trade payables	395,363	395,363	395,363	—	—	—
Total	1,520,185	1,760,250	564,242	577,941	574,965	43,101

Loans from banks comprise short-term loans obtained for working capital needs and other long-term loans. The total amount includes accrued interest and the related loans.

As at 31 December 2022 and 2021, the categories of financial instruments of the Group are as follows:

31 December 2022	Assets and liabilities at amortised cost	Loans and receivables	Available for sale financial assets	Financial assets or liabilities at fair value through profit or loss	Carrying value
Financial assets	**360,059**	**423,273**	**—**	**—**	**783,332**
Cash and cash equivalents	360,059	—	—	—	360,059
Trade receivables	—	314,325	—	—	314,325
Lease receivables	—	108,948	—	—	108,948
Other current assets	—	—	—	—	—
Financial liabilities	**1,343,897**	**—**	**—**	**—**	**1,343,897**
Financial liabilities	794,155	—	—	—	794,155
Leases	195,323	—	—	—	195,323
Trade and other payables	354,419	—	—	—	354,419

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 22 – Financial instruments and financial risk management continued

b) Financial risk factors continued

b.2) Liquidity risk continued

31 December 2021	Assets and liabilities at amortised cost	Loans and receivables	Available for sale financial assets	Financial assets or liabilities at fair value through profit or loss	Carrying value
Financial assets	254,700	586,240	—	—	840,940
Cash and cash equivalents	254,700	—	—	—	254,700
Trade receivables	—	406,996	—	—	406,996
Lease receivables	—	141,661	—	—	141,661
Other current assets	—	37,583	—	—	37,583
Financial liabilities	1,520,185	—	—	—	1,520,185
Financial liabilities	752,058	—	—	—	752,058
Leases	372,764	—	—	—	372,764
Trade and other payables	395,363	—	—	—	395,363

b.3) Market risk

The Group's activities also expose it to market risk, including interest rate risk, foreign currency risk, and price risk. The Group doesn't carry any loans in currencies other than the operating company currencies on its balance sheet.

The Group manages its financial instruments centrally in accordance with the Group's risk policies via the Treasury Group in the Finance Department. The Group's cash inflows and outflows are monitored on a regular basis and compared to the monthly and yearly cash flow budgets and forecasts.

Interest rate risk

The Group is exposed to market interest rate fluctuations on its floating rate debt. Increases in benchmark interest rates could increase the interest cost of floating rate debt and increase the cost of future borrowings. The Group's ability to manage interest costs also has an impact on reported results.

On 31 December 2022, interest rates were fixed on approximately 100% of the net debt for 2022 (100% for 2021). The average interest rate on short-term borrowings in 2022 was 18.48% (2021: 14.38%).

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 22 – Financial instruments and financial risk management continued

b) Financial risk factors continued

b.3) Market risk continued

Interest rate risk continued

The financial instruments of the Group which are sensitive to interest rates are stated in the following table:

	31 Dec 2022	31 Dec 2021
Financial instruments with floating interest		
Financial liabilities	**84,262**	–
– 6 months or less	**5,160**	–
– 6-12 months	**37,743**	–
– 1-5 years	**41,359**	–
Financial instruments with fixed interest		
Financial liabilities – repricing dates	**905,216**	1,124,822
– 6 months or less	**662,979**	198,824
– 6-12 months	**90,486**	409,037
– 1-5 years	**151,751**	516,961

Assuming that all other variables remain constant, a 1.0 percentage point increase in floating interest rates on a full-year basis as at 31 December 2022 would have led to no additional finance costs (2021: no additional finance costs). A 1.0 percentage point decrease in floating interest rates on a full-year basis would have an equal but opposite effect.

The Group's objective is to minimise net interest cost and balance the amounts of debt at fixed and floating rates over time. Most of the debt has interest charged at a fixed rate. This limits the impact that changes to floating rates have on the Group's finance expenses.

Foreign currency risk

The Group is operating in multiple countries and is subject to the risk that changes in foreign currency values impact the value of the Group's sales, purchases, assets and borrowings. On 31 December 2022, the exposure to the Group from companies holding assets and liabilities other than in their functional currency amounted to TRY (7,861) (31 December 2021: TRY 15,482).

As an estimation of the approximate impact of the residual risk, with respect to financial instruments, the Group has calculated the impact of a 20% change in exchange rates.

Impact on income statement

A 20% strengthening of the Euro against key currencies to which the Group is exposed would have led to approximately an additional TRY (1,237) loss in the income statement (2021: TRY 3,142 gain).

A 20% weakening of the Euro against these currencies would have led to an equal but opposite effect.

Price risk

As at 31 December 2022, the Group does not have financial instruments classified as available for sale, or fair value through profit and loss, which are exposed to market price fluctuations. Price risk does arise from an increase in commodity prices. This price risk is managed locally where advanced purchases of raw materials are made to achieve lower prices and bulk purchases are made to achieve discounts from suppliers.

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 23 – Subsequent events

On 6 and 20 February 2023, earthquakes occurred and severely affected ten cities in the east of Turkey. The expected impact of the disaster on the Group's financial statements is summarised as follows. In total, 50 restaurants have been affected. At present, an evaluation shows that twelve of these restaurants have become unusable. In addition to the operational impacts above, the Group made donations for earthquake relief and provided financial support to its employees in the region. Information about insurance compensation processes and clarification of donations and contributions will be stated in the 2023 reports.

Note 24 – Assets and liabilities held for sale and discontinued operations

The Group holds franchise operating and sub-franchising rights in 159 stores in Russia (96 franchised stores, 63 corporate-owned stores). In December 2022, the Board decided to explore the options to sell its Russian operations, with completion expected in the second half of 2023. Accordingly, DP Russia operations are to be reported within discontinued operations and its assets and liabilities are recognised as assets held for sale and liabilities for sale as at 31 December 2022.

The following criterias have been met for a sale to be highly probable:

- the board has decided to sell the asset and liability of Russian operation;
- an active programme to locate a buyer and complete the plan has been initiated by the management. There are potential buyers, and the management has started the negotiation with the potential buyers and official offers have been obtained; and
- the management has expected to be completed the sale transaction within one year from the date of classification.

Assets	31 Dec 2022
Trade receivables	6,844
Lease receivables	3,363
Right-of-use assets	147,764
Property and equipment	71,898
Intangible assets	56,266
Goodwill	16,614
Deferred tax assets	13,357
Other non-current assets	13,722
Non-current assets	**329,828**
Cash and cash equivalents	4,478
Trade receivables	47,645
Lease receivables	7,850
Inventories	20,343
Other current assets	25,256
Current assets	**105,572**
Total assets	**435,400**

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 24 – Assets and liabilities held for sale and discontinued operations continued

Liabilities	31 Dec 2022
Financial liabilities	138,164
Lease liabilities	121,593
Deferred tax liability	3,633
Other non-current liabilities	18,898
Non-current liabilities	**282,288**
Financial liabilities	35,351
Lease liabilities	58,415
Trade payables	206,970
Provisions	955
Other current liabilities	80,819
Current liabilities	**382,510**
Total liabilities	**664,798**
Total liabilities and equity	**229,398**

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 24 – Assets and liabilities held for sale and discontinued operations continued

	31 Dec 2022	31 Dec 2021
Income or loss		
Revenue	**760,480**	465,325
Cost of sales	**(582,370)**	(384,644)
Gross profit	**178,110**	80,681
General administrative expenses	**(143,813)**	(75,248)
Marketing and selling expenses	**(145,500)**	(84,558)
Other operating income, net	**(846,656)**	(15,751)
Operating profit/(loss)	**(957,859)**	(94,876)
Foreign exchange losses	**41,251**	55,965
Financial income	**841,100**	5,346
Financial expense	**(105,266)**	(27,364)
(Loss) before income tax	**(180,774)**	(60,929)
Tax expense	**(30,316)**	(10,436)
Income tax expense	**—**	(2,049)
Deferred tax expense[1]	**(30,316)**	(8,387)
Loss from discontinued operations	**(211,090)**	(71,365)

(1) Carry forward losses of Domino's Russia have been transferred to deferred tax expense and then fully impaired.

After disposal of an asset or disposal group:

- the associated currency translation difference, including amounts previously reported within equity, will be reclassified to the income statement as part of the gain or loss on disposal. This is estimated to be a TRY 686,920 million loss; and
- inter-group balances are eliminated against discontinued operations.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Note 24 – Assets and liabilities held for sale and discontinued operations continued

Russia	2022	2021
Corporate revenue	**410,337**	301,357
Franchise revenue and royalty revenue obtained from franchisees	**310,028**	141,798
Other revenue	**40,115**	22,171
Total revenue	**760,480**	465,326
- At a point in time	**745,700**	462,456
- Over time	**14,780**	2,870
Operating profit/(loss)	**(128,673)**	(94,876)
Capital expenditures	**138,297**	15,675
Tangible and intangible disposals	**(56,505)**	(29,958)
Depreciation and amortisation expenses	**(107,890)**	(87,990)
Adjusted EBITDA	**1,660**	23,248

Russia	2022	2021
Adjusted EBITDA	**1,660**	23,248
Non-recurring and non-trade (income)/expenses per Group management		
One-off non-trading costs	**22,442**	30,134
Share-based incentives	**—**	—
EBITDA	**(20,782)**	(6,886)
Depreciation and amortisation	**(107,890)**	(87,990)
Operating (loss)/profit	**(128,672)**	(94,876)

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

Company income statement

For the years ended 31 December 2022 and 2021

	Notes	2022	2021
Income statement			
General administrative expenses	6	**(28,115)**	(12,441)
Operating profit		**(28,115)**	(12,441)
Foreign exchange gains/(losses)		**4,869**	(192)
Financial income/(expense)		**(10,791)**	1,839
Net income from subsidiaries	2	**254,394**	73,668
Profit before income tax		**220,357**	62,874
Tax expense		**—**	—
Profit for the year		**220,357**	62,874

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

Company income statement continued

For the years ended 31 December 2022 and 2021

	Notes	31 Dec 2022	31 Dec 2021
Assets			
Subsidiaries		280,315	453,460
Non-current assets		280,315	453,460
Cash and cash equivalents	3	388	3,365
Trade receivables		5,789	64
Other current assets		365	694
Current assets		6,542	4,123
Total assets		286,857	457,583
Equity			
Paid in share capital	4	36,353	36,353
Share premium		518,236	513,347
Other legal reserves		(633,889)	(379,688)
Retained earnings		59,047	2,029
Result for the year		220,357	62,874
Total equity		200,104	234,915
Liabilities			
Subsidiaries		—	158,055
Financial liabilities		64,921	48,429
Non-current liabilities		64,921	206,484
Financial liabilities		19,341	14,065
Accounts payable		566	1,750
Other current liabilities		1,925	369
Current liabilities		21,832	16,184
Total liabilities		86,753	222,668
Total liabilities and equity		286,857	457,583

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

Notes to the company financial statements

For the year ended 31 December 2022

Note 1 – Basis of presentation of statutory financial statements

1.1 Basis of preparation

The Company financial statements of DP Eurasia N.V. (hereafter, the "Company") have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

The Company has prepared its Annual Report in accordance with EU directives as implemented in Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board for the year ended 31 December 2022.

In case no other policies are mentioned, refer to the accounting policies in the consolidated financial statements of this Annual Report. For an appropriate interpretation, the Company financial statements of DP Eurasia N.V. should be read in conjunction with the consolidated financial statements.

The Company is registered with the trade register of the Chamber of Commerce in the Netherlands under the number 67090753.

The Company prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The remuneration paragraph is included in the remuneration section of the consolidated financial statements.

1.2 Summary of significant accounting policies

Investments in consolidated subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognised from the date on which control is transferred to the Company or its intermediate holding entities. They are derecognised from the date that control ceases. Subsidiaries of the parent company are accounted for using the equity method. In case of a negative net asset value of a subsidiary a provision will be formed when the company has a contractual obligation.

When measuring interests in a participating interest with an equity deficit, other long-term interests in the participating interest that actually shall be regarded as part of the net investment are also taken into account. To the extent that there are receivables still outstanding after these items have been written down, further reduction in value is taken into account.

The Company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the Company, liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

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

Notes to the company financial statements continued

For the year ended 31 December 2022

Note 2 – Subsidiaries

The movement schedule for the investment in subsidiaries as at 31 December 2022 and 2021 is as follows:

1 January 2021	227,686
Net income from subsidiaries	73,668
Currency translation difference	(8,555)
Remeasurement of post-employment benefit obligations	124
Share-based incentive plans	2,482
Cancellation of share-based incentive plans	–
1 January 2022	295,405
Net income from subsidiaries	**254,394**
Currency translation difference	**26,232**
Remeasurement of post-employment benefit obligations	**(5,856)**
Share-based incentive plans	**4,889**
Hyperinflation impact on Turkish subsidary	**(294,749)**
31 December 2022	**280,315**

The Company is liable for the finance liabilities of its subsidiary in Russia, for which a provision was recognised as per 31 December 2021. In 2022, however the Russian business is classified as held for sale and discontinued operation, which results in a release in 2022 of the provision for the negative asset value in the company income statement. This also leads to a difference between group equity and company only equity balance as per 31 December 2022 and the result of 2022 of TRY 229 million.

Note 3 – Cash and cash equivalents

The details of cash and cash equivalents as at 31 December 2022 and 2021 are as follows:

	31 Dec 2022	31 Dec 2021
Cash	**388**	3,365
	388	3,365

	31 Dec 2022	31 Dec 2021
Euro	**303**	3,078
US Dollars	**29**	16
Russian Roubles	**41**	235
Other	**15**	35
	388	3,365

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

Notes to the company financial statements continued

For the year ended 31 December 2022

Note 4 – Equity

The movements in shareholders' equity are as follows:

	Share capital	Share premium	Currency translation reserves	Retained earnings	Result for the year	Total equity
Balances at 1 January 2021	36,353	510,865	(344,208)	(104,574)	106,479	204,915
Remeasurements of post-employment benefit obligations, net	—	—	—	124	—	124
Appropriation of the result of the preceding year	—	—	—	106,479	(106,479)	—
Currency translation adjustments	—	—	(35,480)	—	—	(35,480)
Share-based incentive plans	—	2,482	—	—	—	2,482
Total income for the year	—	—	—	—	62,874	62,874
Balances at 31 December 2021	36,353	513,347	(379,688)	2,029	62,874	234,915
Remeasurements of post-employment benefit obligations, net	**—**	**—**	**—**	**(5,856)**	**—**	**(5,856)**
Appropriation of the result of the preceding year	**—**	**—**	**—**	**62,874**	**(62,874)**	**—**
Currency translation adjustments	**—**	**—**	**(254,201)**	**—**	**—**	**(254,201)**
Share-based incentive plans	**—**	**4,889**	**—**	**—**	**—**	**4,889**
Total income for the year	**—**	**—**	**—**	**—**	**220,357**	**220,357**
Balances at 31 December 2022	**36,353**	**518,236**	**(633,889)**	**59,047**	**220,357**	**200,104**

The difference between total result for the year in the consolidated financial statements and company-only financial statements is resulting from release of provisions related to Russian entity in the company-only financial statements, amounting to TRY229 million.

The Group has no dividend payment to the Company as at 31 December 2022 (31 December 2021: none).

The Group has no dividend payment to the Company as at 31 December 2022 (31 December 2021: none).

The shareholders and the shareholding structure of the Company at 31 December 2022 and 2021 are as follows:

	31 December 2022		31 December 2021	
	Share (%)	**Amount**	Share (%)	Amount
Jubilant FoodWorks Netherlands B.V.[(1)]	**49.0**	**17,828**	7.5	2,722
Fides Food Systems Coöperatief U.A.[(1)]	**—**	**—**	32.8	11,928
Public shares	**45.3**	**16,453**	54.6	19,849
Vision International N.V.[(2)]	**5.6**	**2,027**	4.9	1,781
Other	**0.1**	**45**	0.2	73
		36,353		36,353

(1) Fides Food Systems Coöperatief U.A. merged with Jubilant FoodWorks Netherlands B.V. (acquiring entity).

(2) Vision Lovemark Coöperatief U.A. merged with Vision International N.V. (acquiring entity).

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

Notes to the company financial statements continued

For the year ended 31 December 2022

Note 4 – Equity continued

As at 31 December 2022, the Company's 145,372,414 (31 December 2021: 145,372,414) shares are issued and fully paid for.

On 3 July 2017, just prior to the IPO, the Company issued (i) 13,046,726 ordinary shares, with a nominal value of EUR 0.12 each, in the capital of the Company to Vision Lovemark Coöperatief U.A. and (ii) 117,420,534 ordinary shares, with a nominal value of EUR 0.12 each, in the capital of the Company to Fides Food Systems Coöperatief U.A., which was paid up by debiting the Company's share premium reserve by TRY 31,239. Also, on 3 July 2017, as part of its IPO, the Company issued 10,372,414 new ordinary shares with a nominal value of EUR 0.12 each. As a result, the Company's issued and outstanding share capital increased to TRY 36,353 (divided into 145,372,414 ordinary shares). After the IPO, 52.1% of the shares became public. The net proceeds received by the Company from the IPO is TRY 94,132 (TRY 9,075 per share). DP Eurasia's authorised share capital is EUR 60,000,000.

In February 2019, Fides Food Systems Coöperatief U.A. sold 14,537,241 existing ordinary shares in DP Eurasia N.V. in an accelerated bookbuild offering addressed to institutional investors. After this transaction, 62.1% of the shares became public.

	2022	2021
1 January	**145,372,414**	145,372,414
Addition	**—**	—
31 December	**145,372,414**	145,372,414

The nominal value of each share is EUR 0.12 (2021: EUR 0.12). There is no preference stock.

Share premium

Share premium represents the total of differences resulting from the contribution of Fides Food Systems by Fides Food Systems Coöperatief U.A. at a price exceeding the face value of those shares and differences between the face value and the fair value of shares issued for acquired companies and the differences between the proceeds and the nominal value of the shares issued at the IPO.

Retained earnings

The Board determined the result over 2022 as follows:

	2022	2021
Retained earnings	**59,047**	2,029
Net result for the year	**59,047**	2,029

Note 5 – General administrative expenses

	2022	2021
Consultancy expenses	**19,508**	11,549
Payroll expenses	**7,731**	3,640
Miscellaneous expenses	**—**	2,299
Management expenses	**486**	168
Other	**390**	2,775
Total	**28,115**	12,441

Note 6 – Audit fees

For the year ended 31 Dec 2022	PwC NL	Other PwC network	Other audit firm	Total PwC network
Audit of financial statements	2,726	1,287	1,746	5,759
Other audit service	469	591	698	1758
Total audit services	3,195	1,878	2,444	7,517
Tax services	—	235	—	235
Other non-audit services	—	22	—	22
Total	3,195	2,135	2,444	7,774

The fees listed above relate to the procedures applied to the Company and its consolidated Group entities by accounting firms and external auditors as referred to in article 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym; "Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

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

Notes to the company financial statements continued
For the year ended 31 December 2022

Note 6 – Audit fees continued
These fees relate to the audit of the 2021 financial statements, regardless of whether the work was performed during the financial year.

For the year ended 31 Dec 2021	PwC NL	Other PwC network	Total PwC network
Audit of financial statements	1,211	1,069	2,280
Other audit service	277	876	1,153
Total audit services	1,488	1,945	3,433
Tax services	—	184	184
Other non-audit services	—	750	750
Total	1, 488	2,879	4,367

Note 7 – Employees
During 2022, the average number of employees, based on full-time equivalents, was three (2021: three).

Of these, two employees are working outside of the Netherlands.

Note 8 – Commitments and contingencies not included in the balance sheet
Tax group liability

The Company is the parent of the Group's fiscal unity in the Netherlands and is therefore liable for the liabilities of said fiscal unity as a whole. The fiscal unity consists of DP Eurasia N.V., Fidesrus B.V. and Fides Food Systems B.V.

Other information
Proposal for profit allocation

With due observance of Dutch law and the articles of association, it is proposed that the net income of TRY 220,357 is added to the retained earnings. Furthermore, with due observance of article 43, paragraph 7, it is proposed that no dividend payment will be paid over 2022.

Details of special shareholder rights

DP Eurasia N.V. shareholders have no special rights; see Corporate governance for more information about voting rights.

Details of shares without profit rights and non-voting rights

DP Eurasia N.V. has no common shares without profit rights and no non-voting shares.

Amsterdam, the Netherlands 19 April 2023

Management Board

Aslan Saranga
Frederieke Slot

Supervisory Board

Peter Williams
Shyam Bhartia
Hari Bhartia
Pratik Pota
David Adams
Ahmet Ashaboğlu
Burak Ertaş

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

Independent auditor's report

To: the general meeting and the board of directors of DP Eurasia N.V.

Report on the financial statements 2022

Our opinion

In our opinion:

- the group financial statements of DP Eurasia N.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2022, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.
- the company financial statements of DP Eurasia N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2022 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of DP Eurasia N.V., Amsterdam.

The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The group financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the following consolidated statements for 2022: the statements of comprehensive income, changes in equity and cash flows; and
- the notes to the consolidated financial statements, comprising the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022;
- the company income statement for the year then ended;
- the notes to the company financial statements, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the group financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of DP Eurasia N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Independent auditor's report continued

To: the general meeting and the board of directors of DP Eurasia N.V.

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

DP Eurasia N.V. is a public limited company, having its statutory seat in Amsterdam, the Netherlands. The Company and its subsidiaries operate company-owned stores in Turkey, the Russian Federation, Azerbaijan and Georgia. Furthermore, the Group provides technical support and consultancy services to franchise stores in these regions. The Group consists of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition risk related to climate change. In paragraph 2.6 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of goodwill and the Russian operations recorded as held for sale and discontinued operations, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. We also included the accuracy of hyperinflation accounting for the financial position and results of operations of Domino's in Turkey as key audit matter due to the complexity involved.

Contrary to last year the recoverability of deferred tax assets at Pizza Restaurants LLC ('Domino's Russia') is not considered a Key Audit matter, as the deferred tax asset has been fully provided for in 2022.

Other areas of focus, that were not considered as key audit matters were valuation of intangible assets, debt covenant compliance at Domino's Russia and the IT implementation at Domino's Russia.

The impact of climate change on our audit

DP Eurasia N.V. assessed the possible effects of climate change on its financial position, refer to 'Our sustainability approach' and 'Risk management' sections of the Management report. The Company committed to measure, manage and reduce their environmental impacts from carbon emissions. The impact of climate change and the Company's commitments to reach their targets are of significant importance for the Company and its stakeholders. We discussed the Company's assessment and governance thereof with management and evaluated the potential impact on the financial position, including underlying assumptions and estimates. The impact of climate related risks is not considered to be a separate key audit matter in the audit of 2022.

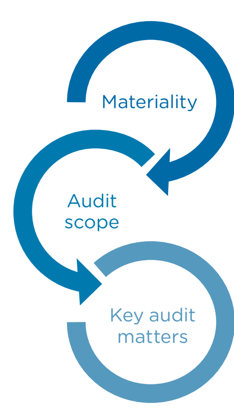
We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of a group company operating in retail and consumer industry. We therefore included experts and specialists in the areas of amongst others of IT audit, income tax, experts in areas of valuation, share-based payments in our team.

Independent auditor's report continued

To: the general meeting and the board of directors of DP Eurasia N.V.

Our audit approach continued

The outline of our audit approach was as follows:



Materiality

- Overall materiality: TRY 22 million (2021: TRY 15 million)

Audit scope

- Audit work is conducted in Turkey, Russia and the Netherlands.
- We fulfilled our oversight obligations through frequent virtual meetings with our component auditors, as well as virtual meetings with group and local management.
- Audit coverage: 100% of consolidated revenue, 100% of consolidated total assets and 100% of consolidated profit before tax.

Key audit matters

- Valuation of goodwill
- Russian operations recorded as held for sale and discontinued operations
- Accuracy of hyperinflation accounting for the financial position, results and cashflows of operations of Domino's in Turkey

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	TRY 22 million (2021: TRY 15 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 1% of revenues (2021: 1% of revenues).
Rationale for benchmark applied	We used total revenues as the primary benchmark, based on our analysis of the common information needs of users of the financial statements. We believe that total revenues are an important metric for the financial performance of the Group. Although we believe that the profit of the business is one of the ultimate key performance measures, at this stage of expansion through foreign markets, the key stakeholders are focused on the entity's growth in revenue.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between TRY 20 million and TRY 22 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the board of directors that we would report to them any misstatement identified during our audit above TRY 1.1 million (2021: TRY 750 thousand) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report continued

To: the general meeting and the board of directors of DP Eurasia N.V.

Our audit approach continued

The scope of our group audit

DP Eurasia N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of DP Eurasia N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit primarily focussed on the significant components: Pizza Restaurantlari A.Ş. ('Domino's Turkey') and Pizza Restaurants LLC ('Domino's Russia'), and these were subjected to audits of their complete financial information, as those components are individually financially significant to the Group. Additionally, we selected one component, the DP Eurasia N.V. stand-alone entity, for audit procedures in order to achieve appropriate coverage of financial line items in the group financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	100%
Profit before tax	100%

For group entities DP Eurasia N.V. and Domino's Turkey the group engagement team performed the audit work in the Netherlands and Turkey. For Domino's Russia, we used a component auditor who is familiar with the local laws and regulations to perform the audit work.

Where the component auditor performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the Domino's Turkey and the Russian component audit teams. These instructions included among others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the group, the main developments that are relevant for the component auditor, the risks identified, the materiality levels to be applied and our group audit approach. We had calls with the component audit team and local management, during the audit as well as upon completion of their audit work. During these calls, we discussed the significant accounting and audit issues identified by the component auditor, the reports of the component auditor, the findings of their procedures and other matters, which could be of relevance for the group financial statements. We reviewed selected working papers remotely.

The financial statement disclosures and a number of complex items were audited by the group engagement team at the head office. These include share-based payments, as well as compliance with Dutch law disclosure requirements.

By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of DP Eurasia N.V. and its environment and the components of the internal control system. This included management's risk assessment process, management's process for responding to the risks of fraud and monitoring the internal control system. We refer to Risk Management section of the management report for management's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct, whistle-blower procedures, incident investigation protocols, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

Independent auditor's report continued

To: the general meeting and the board of directors of DP Eurasia N.V.

Our audit approach continued

Audit approach fraud risks continued

We asked members of the board of directors as well as the internal audit department, finance team and human resources whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	Our audit work and observations
Risk of fraud through management override of controls As in all of our audits, we address the risk of management override of controls. This includes evaluating whether there is evidence of bias by management that may represent a risk of material misstatement due to fraud. In this context, we paid particular attention to the significant estimates and judgements made by management. Management may perceive pressure to manipulate accounting estimates that require significant judgement in order to improve results. Additionally, inappropriate accounting policies and treatments may be adopted to achieve the desired outcomes.	Where relevant to our audit, we have evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and assessed the effectiveness of those measures in the processes of generating and processing journal entries and forming estimates. We also paid specific attention to the access safeguards in the IT system and the possibility of functional segregation as a result. We selected journal entries on the basis of risk criteria and performed specific audit procedures on them. We assessed significant judgements made by management, unusual transactions, related party transactions. We assessed the appropriateness and accurate application of accounting policies in accordance with EU-IFRS. We did not identify any specific indications of fraud or suspicion of fraud in respect of management override of controls.
Risk of fraud in revenue recognition As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we addressed the risk of fraud in revenue recognition. This relates to the presumed management incentive that exists to overstate revenue. As the majority of the company's revenue is recorded at the time of sale, much of which is recorded through point of sales systems and payment is made at the time of sale, there is limited risk of management manipulation. Rather, the risk of fraud in revenue recognition is focused on the occurrence of inappropriate manual transactions.	Where relevant to our audit, we have evaluated the design of the internal control measures that are intended to mitigate the risk of fraud and error in revenue recognition and assessed the effectiveness of those measures. We also paid specific attention to the processes surrounding the relevant IT systems. Through data analysis, we tested both expected and unexpected journal entries and performed relevant testing on revenue transactions throughout the year and the receivable balances at year end. We did not identify any specific indications of fraud or suspicion of fraud in respect of revenue recognition.

We incorporated an element of unpredictability in our audit. We reviewed lawyer's letters and correspondence with regulators. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Independent auditor’s report continued

To: the general meeting and the board of directors of DP Eurasia N.V.

Audit approach going concern

Management prepared the financial statements on the assumption that the entity is a going concern and that it will continue all its operations for at least twelve months from the date of preparation of the financial statements. Our procedures to evaluate management’s going concern assessment included, amongst others:

- considering whether management identified events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern (hereafter: going concern risks);
- considering whether management’s going concern assessment includes all relevant information of which we are aware as a result of our audit by inquiring with management regarding management’s most important assumptions underlying its going concern assessment. Amongst others, we took into consideration;
- evaluating management’s current budget including cash flows for at least twelve months from the date of preparation of the financial statements taken into account current developments in the industry and all relevant information of which we are aware as a result of our audit;
- analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the entity’s operations, including compliance with relevant covenants;
- performing inquiries of management as to its knowledge of going concern risks beyond the period of management’s assessment.

Our procedures did not result in outcomes contrary to management’s assumptions and judgments used in the application of the going concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In 2022, we have added the accuracy of hyperinflation accounting for the financial position, results and cashflows of the operations of Domino’s in Turkey and the Russian operations recorded as held for sale and discontinued operations as a key audit matter. The key audit matter identified in 2021 for the recoverability of deferred tax assets at Pizza restaurants LLC (‘Domino’s Russia’) is no longer applicable, as this has been fully provided for. In this section, we describe the key audit matters and include a summary of the audit procedures we performed on those matters.

Independent auditor's report continued

To: the general meeting and the board of directors of DP Eurasia N.V.

Audit approach going concern continued

Key audit matters continued

Key audit matter	Our audit work and observations
Valuation of Goodwill **The Group describes its accounting policies concerning business combinations and goodwill within note 2.5 and provides details on the carrying amount of goodwill and significant accounting estimates involved in notes 2.6 and 11.** We focused on this area due to the significance of the goodwill balance of TRY 236 million to the financial statements and because the assessment of management of the recoverable amount of the Group's Cash Generating Units ('CGU') involves judgements and estimates such as the future results of the business and the discount rates applied to future cash flow forecasts. In particular, we focused our audit effort on goodwill recognised in relation to the acquisition of Pizza Restaurantları A.Ş. in Turkey amounting to TRY 236 million in 2010. The Group prepared a goodwill impairment assessment as required by IAS36. Key assumptions applied in the impairment assessment include amongst others, the expected (average) product price, revenue growth rates, product cost and related expenses. Management determined these key assumptions based on past performance and its expectations on market developments. Additionally, management applies discount rates, which reflect country-specific risks. Management concluded that there is sufficient headroom between the recoverable amount of the CGUs and the carrying values.	We evaluated and challenged the composition of management's future cash flow forecasts, the process by which they were drawn up, and the consistency with the by the board of directors approved budgets. We compared the current year actual results with the 2022 figures as included in the prior year forecast and concluded that the forecasts included assumptions that, with hindsight, had been realistic. With the support of our valuation expert, we benchmarked key market related assumptions in management's valuation model used to determine recoverable amounts against external data, including assumptions of future prices, revenue growth rates and discount rates. Furthermore, we checked the mathematical accuracy of management's valuation model and agreed relevant data, including assumptions on timing and future capital and operating expenditure, to the latest plans and budgets. We assessed whether possible changes in the key assumptions could lead to an impairment of the recognised goodwill and assessed the likelihood of such a change occurring given past and forecasted performance. We found the Group's estimates and judgements used in the goodwill impairment assessment to be supported by the available evidence and have not noted material exceptions.
Russian operations recorded as held for sale and discontinued operations **The Group describes its accounting policies concerning held for sale and discontinued operations in note 2.5 and provides significant accounting estimates involved in notes 2.6, as well as the assets and liabilities and the income or loss of the discontinued operations in note 24.** In December 2022, DP Eurasia announced their plans to dispose their Russian operations. Management concluded that the Russian operations will be reported in accordance with IFRS 5 – 'Non-Current Assets Held for Sale and Discontinued Operations' in the 2022 consolidated financial statements. The application of IFRS 5 'Non-Current Asset Held for Sale and Discontinued operations' is significant to our audit because the assessment of the classification is complex, the transaction and its accounting is non-routine and involves significant management judgements. These include, amongst others, the date of classification of the non-current assets as held for sale, the fair value less cost of disposal of the Russia business, and the presentation of its results as discontinued operations. As a result of these conclusions, there are requirements around the valuation of the assets of the disposal group and presentation in the consolidated financial statements and disclosure notes, the identification of income and expenses allocated to the Russian operations.	Our audit procedures included, among others, an evaluation of DP Eurasia's conclusions on the classification of the disposal group as held for sale and the results of the Russian operations as discontinued operations. This included evaluating whether the Russian operations classifies as one disposal group, assessing the valuation of the assets of the disposal group as the lower of the carrying amount and fair value less cost of disposal, the presentation of the assets in the financial statements and the date as of which the Russian operations is classified as held for sale. In addition, we evaluated the presentation of the results of the Russian operations as discontinued operations. Following our procedures we did not identify material exceptions and we found management's assumptions to be supported by available evidence.

Independent auditor's report continued

To: the general meeting and the board of directors of DP Eurasia N.V.

Audit approach going concern continued

Key audit matters continued

Key audit matter	Our audit work and observations
Accuracy of hyperinflation accounting for the financial position, results and cashflows of the operations of Domino's in Turkey **The Group describes its accounting policies concerning hyperinflation accounting within 2.1** The group performed hyperinflation calculations and used the consumer price index by Turkish Statistics Institute as key input for the calculations. The results and financial position of the Turkish operations are adjusted for inflation and prior year comparatives have been restated for hyperinflation in the consolidated financial statements. The gain on the monetary position is calculated as difference resulting from the restatement of net non-monetary assets, equity and items in the income statement and other comprehensive income. The total hyperinflation adjustment results in a net other comprehensive income of TRY 47 million. Given the significant quantitative impact, complexity associated with hyperinflation accounting and extent of audit effort required, the accuracy of hyperinflation accounting and disclosures were deemed to be a key audit matter in 2022.	We obtained understanding of the process implemented by DP Eurasia to determine the hyperinflation calculations, adjustments, DP Eurasia's accounting policies and disclosures. We have evaluated the initial application of the standard and tested the completeness and accuracy of the underlying data used in calculation. We obtained detailed listings of non-monetary items and agreed the original cost and dates of acquisition to supporting documentation. We determined whether the segregation of monetary and non-monetary items made by the management is in accordance with IFRS. We tested the restatement of non-monetary items, the income statement and preparation of the cash flow with recognition of inflationary effects by checking the methodology and general price index rates used. We assessed the inputs into the hyperinflation calculations and agreed the inputs to independent sources. We determined the mathematical accuracy of the hyperinflation adjustment calculation. We assessed the adequacy of disclosures in the notes to the financial statements regarding IAS 29. Based on our procedures we did not identify material exceptions and we found management's assumptions to be supported by available evidence.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

Independent auditor's report continued

To: the general meeting and the board of directors of DP Eurasia N.V.

Report on the other information included in the annual report continued

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The board of directors are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of DP Eurasia N.V., since 2017, followed the passing of a resolution by the board of directors. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of six years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company or its controlled entities, for the period to which our statutory audit relates, are disclosed in note 7 to the company financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going-concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The board of directors should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 19 April 2023

PricewaterhouseCoopers Accountants N.V.
Original has been signed by B.A.A. Verhoeven RA

Independent auditor's report continued

To: the general meeting and the board of directors of DP Eurasia N.V.

Appendix to our auditor's report on the financial statements 2022 of DP Eurasia N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the board of directors 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.

In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors 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 actions taken to eliminate threats or safeguards applied.

ESG appendix

Reporting guidance for environment metrics

Key definitions and reporting scope

For the purpose of this report, the Company defines:

Natural gas consumption (m^3)	This indicator reflects the total purchased natural gas (volume – m^3) consumption used for heating, cooking and other business operations that require natural gas, at the relevant locations (Corporate, Co & Supply Chain, Franchise), of the Company during the reporting period. It is reported in m^3 on a consolidated basis.
Generator fuel – diesel (l)	This indicator reflects the total purchased diesel consumption used for generators at the relevant locations of the Company during the reporting period. It is reported in litres on a consolidated basis.
Diesel consumption (l)	This indicator reflects the total purchased diesel (volume – l) consumption used for Company-leased cars at the relevant locations of the Company during the reporting period. It is reported in litres on a consolidated basis.
Gasoline consumption (l)	This indicator reflects the total purchased gasoline (volume – l) consumption used for generators at the relevant locations of the Company during the reporting period. It is reported in litres on a consolidated basis.
Petrol & Super Grade consumption (l)	This indicator reflects the total purchased Petrol & Super Grade consumption used for Company-leased cars at the relevant locations of the Company during the reporting period. It is reported in litres on a consolidated basis.
Electricity consumption (kWh)	This indicator reflects the total purchased electricity consumption used for air conditioning, lighting, electrical equipment uses and other business operations that require electricity, at the relevant locations of the Company during the reporting period. It is reported in MWh on a consolidated basis.

LPG consumption (l)	This indicator reflects the total purchased LPG for the locations if the store does not have natural gas purchase.
Cooling gas (kg)	This indicator reflects the amount of R404a refrigerant purchased and used at relevant locations.
Fire extinguisher (kg)	This indicator reflects the amount of CO_2 extinguisher purchased and used in the relevant locations.
Direct (Scope 1) greenhouse gas emissions (tCO_2e)	This indicator reflects the emissions of greenhouse gases due to the use of natural gas, diesel, gasoline consumption, SF6 and refrigerant gases and fire extinguishing devices at the relevant locations of the Company during the reporting period.
Energy-related indirect (Scope 2) greenhouse gas emissions (tCO_2e)	This indicator reflects the emissions of greenhouse gases due to the use of purchased electricity at the relevant locations of the Company during the reporting period.
Other indirect (Scope 3) greenhouse gas emissions (tCO_2e)	This indicator reflects the emissions of greenhouse gases due to non-Company and non-directly controlled sources of franchise stores such as electricity, natural gas, LPG, diesel, which are not considered under Scope 1 and Scope 2 during the reporting period.
Total water consumption (m^3)	This indicator reflects the total water withdrawal by source (volume – m^3) at the relevant locations of the Company during the reporting period.

Glossary

ADBP Annual and deferred bonus plan

AFM Dutch Authority for the Financial Markets

AGM Annual General Meeting

AWUS Average weekly unit of sales

Board The Board of the Company

CEO Chief Executive Officer

CGU Cash-generating unit

Company DP Eurasia N.V.

Domino's Turkey Pizza Restaurantları A.Ş.

Domino's Russia Pizza Restaurants LLC

DP Eurasia DP Eurasia N.V.

EBITDA Earnings before interest, tax, depreciation and amortisation

EUR Euro

Fides Food Fides Food Systems B.V.

Fides Food Systems Fides Food Systems Coöperatief U.A. As per 2 March 2022, Fides Food Systems (disappearing entity) merged with Jubilant FoodWorks Netherlands B.V. (acquiring entity)

Fidesrus Fidesrus B.V.

Founding Shareholders Fides Food Systems Coöperatief U.A. and Vision Lovemark Coöperatief U.A.

GBP Great British Pound

General Meeting General Meeting of shareholders of the Company

Group The Company and its subsidiaries

IFRS International Financial Reporting Standards as adopted in the European Union

IPO The initial public offering of the Company and the admission of its shares to trading on the main market of the London Stock Exchange

LTIP Long-term incentive plan

Master Franchisors Domino's Pizza International Franchising Inc. and, prior to the assignment to DPIF in 2012, Domino's Pizza Overseas Franchising B.V.

MFA Master Franchise Agreement

OLO Online ordering

PwC PricewaterhouseCoopers Accountants N.V.

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

RUB Russian Rouble

System stores Corporate stores and franchised stores

TPEF II Turkish Private Equity Fund II L.P.

TRY Turkish Lira

USD US Dollar

Contacts

Company registered office and business address

DP Eurasia N.V.

Herikerbergweg 238
Luna Arena
1101 CM Amsterdam
The Netherlands

Corporate Broker

Liberum Capital Limited

Level 12
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY
United Kingdom

English Legal Advisers to the Company

Dentons UK and Middle East LLP

One Fleet Place
London EC4M 7WS
United Kingdom

External Auditors

PricewaterhouseCoopers Accountants N.V.

Thomas R Malthusstraat 5
1066 JR Amsterdam
The Netherlands

UK Depositary Interest Register

Link Market Services Trustees Limited

4 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Financial PR

Buchanan

107 Cheapside
London EC2V 6DN
United Kingdom

Domino's®

www.dpeurasia.com