TEKNOSA

Annual Report 2020

# We grew with confidence

# Contents



# Agenda of the 2020 Ordinary General Assembly Meeting

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ THE AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING FOR 2020 TO BE HELD ON MARCH 29, 2021

1. Opening and formation of the Meeting Council,
2. Reading and discussion of the 2020 Annual Report of the Board of Directors,
3. Reading of the Auditor's Reports for 2020,
4. Reading, discussion and approval of the 2020 financial statements,
5. Releasing the Members of Board of Directors from liability for activities in 2020,
6. Determination of the use of 2020 profits/losses
7. Election of the Members of Board of Directors and determination of their terms of office.
8. Determination of the remuneration for the Members of Board of Directors,
9. Selection of the auditor,
10. Informing the General Assembly on the Company's donations and aids in 2020,
11. Determination of an upper limit for donations in 2021,
12. Approving the amendments to Articles 10 and 13 of the Articles of Association as per the permits obtained from the Capital Markets Board and Ministry of Trade,
13. Granting permission to the Chairman and Members of the Board of Directors to carry out the transactions written in Articles 395 and 396 of the Turkish Commercial Code,
14. Wishes and Requests.

In 2020, we experienced a challenging year due to the pandemic. We faced rapid change across every aspect of life, from business to education. As a measure to protect ourselves and our loved ones, we stayed home. And, access to technology became even more critical.

As Turkey's leading technology retail company, we met the challenges of these trying times. We connected our consumers with life and addressed their technology requirements by providing services safely and quickly.

Our progress on digitalization and the customer-focused transformation journey for the "Teknosa of the New Generation" helped us deliver a historic performance in 2020, despite these extraordinary circumstances.


preo
TEKNOSA

# We stood by our customers with seamless service

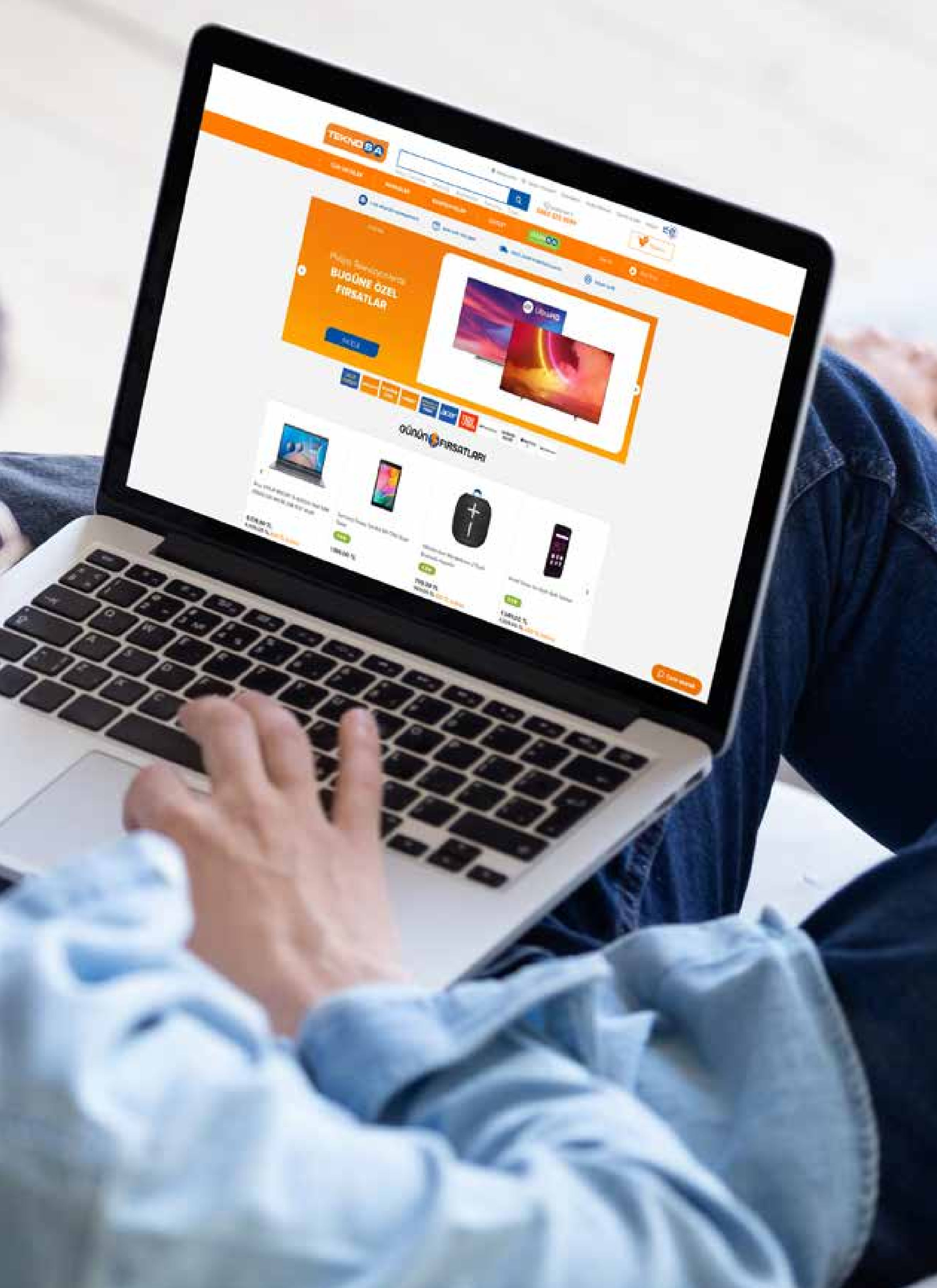
Offering 211 stores and points of sale in 68 provinces across the country, as well as online and mobile platforms, we remained the most widespread and accessible technology retailer for consumers. We prioritized the health of our employees and customers and were the first technology retailer to shut down stores during the pandemic. Thanks to our fast, agile structure, we continued to provide seamless service delivery via online channels.

**175 million**
visitors to teknosa.com and stores

# We created value through our omnichannel structure

Our omnichannel investments in the past period, generated positive results. Teknosa.com and our mobile platform played a key role in the provision of seamless service during the days of the pandemic. We broke e-commerce records and contributed to our strong growth.

**3.6-fold**
increase in e-commerce turnover


TEKNOSA
BUGÜNE ÖZEL
FIRSATLAR
GÜNÜN FIRSATLARI

# We differentiated ourselves in the industry with our robust infrastructure

We have the largest logistics center in our industry. We utilized our warehouse, which spans 30 thousand square meters of indoor space, even more effectively during this time. Employing scientific and data-driven retailing hardware, we facilitated customers' access to the products and services they need.

**TL 38 million**
investment in infrastructure and access channels

# We improved experience through customer-focused services

We introduced future-leading retail innovations to meet customers' expectations. We launched "Click & Drive," as a first practice in the industry, to enable delivery of products to the customer's car in the parking lot. We also started to offer a virtual in-store experience via Video-Chat, another first in Turkey.

**36%**
increase in total turnover

# Teknosa in Brief

## Teknosa continues investments in the best customer experience, operational excellence, and digitalization while shaping the retailing activities of the new generation.

**68**
Provinces with Teknosa Presence

**211**
Stores and Points of Sale

**97 thousand $m^2$**
Store Area

Established under the umbrella of Sabancı Holding in 2000, Teknosa İç ve Dış Ticaret A.Ş. has been traded on BIST since 2012. Driven by the philosophy of "Technology for Everyone," the Company aims to stand by its customers anytime, anywhere, make their access to technology easier, and offer a pleasurable shopping experience.

Shaping the future with its stakeholders, Teknosa advances in its industry via utilizing the strength of its widespread penetration, superior service quality, reliability, and product diversity, as well as its dynamic, innovative, and entrepreneurial corporate structure.

Having concluded its 20th year in the industry, Teknosa conducts operations under two groups: Retail/e-commerce and its dealer network. Teknosa stores and online channels provide the retailing of consumer electronics, imaging, information technology, telecom products, and household appliances, in addition to operations in the air conditioning sector with İklimsa, its retailer group brand.

Teknosa continuously invests in its brand and people, trains human resources to be experts in their respective fields, spearheads innovative services for customer satisfaction, creates the product mix through ideal channels for consumers' needs, takes bold steps, and leads the industry.

**2,337**
Employees

Having introduced to consumers the concept of technology markets in Turkey for the first time, Teknosa is the most accessible technology retail chain of Turkey, owing to a broad network of stores, teknosa.com, and mobile platforms.

*Turkey's most widespread technology retailer with 211 stores and points of sale, as well as online and mobile platforms, Teknosa constantly addresses consumers' technology needs through 2,337 experts, and innovative products and services.*

Teknosa also maintains its lead in the omnichannel model and creates added value for its customers through blending digital and physical channels and providing innovative services to address customers' expectations.

Teknosa's digital transformation extends from the supply chain to the delivery to end consumer and after-sales operations. In the meantime, it adopts a data-driven management culture and continues with CRM investments without respite. The Company initiates new efforts to analyze data and optimize customer experience via the use of AI algorithms.

Working towards the Teknosa of the future at full speed, the Company will maintain its pioneering position in a holistic retail experience through new services and practices, while transforming its gains into benefits for the stakeholders and country.

# Capital and Shareholding Structure

Teknosa's approved and issued share capital consists of 11,000,000,000 shares with a nominal value of 1 Kr each (December 31, 2019: 11,000,000,000).

As of December 31, 2020, Teknosa's capital structure consisted of the following:

| Corporate Name/Name-Surname | Capital Share (TL) | Capital Share (%) |
|---|---|---|
| Hacı Ömer Sabancı Holding A.Ş. | 55,000,001.61 | 50.00 |
| Other | 54,999,998.39 | 50.00 |
| **Total** | **110,000,000.00** | **100.00** |

# Vision, Mission, Culture and Values, Quality and Complaint Management Policy

### Vision
To act as the leading electronics retailer in the region through “innovative” and “distinctive” products and services.

### Mission
To always be with customers through its widespread sales channels, a diverse portfolio of high-quality products, and superior services.

### Culture and Values
As a pioneer of innovation, Teknosa is a young company that puts customer and stakeholder needs and requirements at the heart of its operations, promotes different opinions, values broad participation in decisions, does not fear to make mistakes and considers them an improvement opportunity, and focuses on creating sustainable value. Sincerity, continuous development, inclusion, courage, and passion are Teknosa’s core values.

### Quality Policy
Offering technology products and services, Teknosa is a company that prioritizes customer satisfaction, continuously improving its relationships with suppliers, and places importance on the development of its employees, ensuring the sustainability and efficiency of its lean and fast-moving organization by practicing modern management techniques and always conducts assessments for further improvement with an innovative approach.

### Complaint Management Policy
Teknosa handles all complaints and requests received through customer interaction channels in accordance with laws and Company policies, and in a confidential, fair, and impartial manner. The Company continuously improves its complaint management system, thereby increasing customer satisfaction.

# Milestones


**2000**
- Teknosa launched operations with five retail stores.

**2003**
- The www.teknosa.com website was launched.

**2005**
- Teknosa Academy was established.

**2006**
- The "Scientific Retailing Program" was initiated for operational efficiency and infrastructure projects.
- Dealership operations in the air conditioning sector were organized under the İklimsa brand.
- E-learning program was started.

**2007**
- The Gebze Logistics Center commenced operations.
- Five stores in Turkey belonging to the Germany-based consumer electronics retailer Electronic Partner were acquired.
- Two music stores of Uzelli in Turkey were acquired.
- After-sales and product exchange/return services were made available to customers for the first time in Turkey.

**2009**
- "Extra" stores were opened.

**2010**
- "Rapid growth" strategy was replaced by "sustainable and profitable growth."

**2011**
- The Turkish operations of the US-based electronics retailer Best Buy were acquired.

**2012**
- The company's shares began trading on the Istanbul Stock Exchange (BIST) on May 17.

**2013**
- Teknosa's mobile applications for Android and iOS devices were launched.



**2014**

- Click & Collect was initiated.
- Teknosa started to offer alternative consumer financing options to customers with TeknoFinans.

**2015**

- With Teknosacell, Teknosa became the first and only technology retail company in Turkey to provide mobile communication and line services.
- Teknosa Preo-branded special products were introduced to the market.

**2016**

- Installment sales options for mobile devices were made available with Teknosacell.
- Teknosa's Preo-branded product range was expanded. Sales of new accessories and products (gaming, accessories, VR, drone) began.

**2017**

- The corporate social responsibility project, Technology for Women, celebrated its 10th anniversary.

**2018**

- The teknosa.com infrastructure and interface were renewed.
- A new CRM platform was created.
- Turkey's first "Satisfaction Guaranteed Return" practice was launched.
- Technology products leasing services for SMEs were initiated.

**2019**

- Transformation Program for the Teknosa of the New Generation was launched.
- Small home appliances and new accessories were included in the Preo product family.

**2020**

- Technology corners were established in more than 20 Carrefoursa stores in Istanbul, Ankara, Bursa, Adana, and Antalya.
- Teknosa mobile apps were revamped.
- Click & Drive service was launched as a first in the industry.
- Video-Chat practices were also launched, yet another first in Turkey.

# Main Competitive Advantages

## Teknosa diversified communication channels for offering a better customer experience and thus managed to tackle customers' needs everywhere in 2020.


Turkey's most widespread and accessible technology retail chain, Teknosa has made omnichannel investments, becoming a reference point in digital channels in addition to retailing activities and introducing a globally-acclaimed model for the industry. In parallel with the transformation of the industry and a strong omnichannel focus today, the Company develops distinctive business models and special services to steer the industry and maintains its rising performance even in the face of the challenges brought by the pandemic.

### Pioneer of Omnichannel in Technology Retailing

Teknosa provides customers with a seamless and integrated shopping experience through its stores, teknosa.com, and mobile platform, while enhancing investments to deepen the omnichannel model, which was pioneered by the Company. Indeed, it makes a difference in the industry through innovative practices blending online and offline experiences.

### Unlimited Customer Satisfaction

Teknosa boosts customer satisfaction via several initiatives such as fast and qualified service across all channels, a customer expectations management program, and service-oriented training programs for employees.

## Data-Driven Management Approach

Parallel to the "Sabancı of the New Generation" vision, Teknosa puts advanced data analytics at the core of its business. For customers to promptly access the right product at the right time, in the right place, and at the right price, Teknosa manages its activities based on AI algorithms and a data-driven smart system that predicts the future.

## Comprehensive Sales and After-Sales Services

As the first company in Turkey to have launched after-sales services in the sector, Teknosa strives to address customer needs and requirements in full, and therefore provides seamless services through the call center, at in-store customer relations corners, and via social media accounts and its online store teknosa.com. The Company analyzes customers' shopping journeys and preferences to offer personalized and accelerated services via the use of a CRM-integrated system while monitoring all maintenance and repair requirements related to its products.

The Teknosa Call Center targets improved customer satisfaction by meticulously analyzing the entire retail process in order to meet every information need of customers. Within this scope, Teknosa diversified its communication channels for a better customer experience and started to address customers' requirements via digital channels, including web-chat, live support, and WhatsApp support services in 2020. Teknosa customers can contact the Company via a broad range of channels such as phone, web-chat, WhatsApp, e-mail, web communication forms, and social media to get information. In 2020, Teknosa also enabled order placements and payments via the Call Center and web-chat channels to guarantee a better shopping experience for customers. NPS satisfaction surveys are conducted to maximize customer satisfaction and improve the quality of services and communications after calls. Teknosa Customer

***Parallel to the "Sabancı of the New Generation" vision, Teknosa puts advanced data analytics at the core of its business.***

Services always monitors technology developments closely, while undertaking efforts to maximize customer experience and satisfaction.

Coming to the forefront as the brand of 'firsts', Teknosa launched the "Satisfaction Guaranteed Return" program which enables customers to exchange TVs, monitors, notebooks, tablets, and desktops within 30 days of purchase, regardless of whether these products had been used.

At service points opened in selected Teknosa stores, all mobile devices – i.e. notebooks, phones, tablets – are eligible for servicing and 360° device cases, regardless of whether they were purchased at Teknosa. Affordable and optional services are also offered to customers for all out-of-warranty mobile devices.

## Value-Added Services

Wide-ranging technological services from installation and technical support to safety which customers can benefit at stores, over the phone, at home or at work are delivered under the roof of Dr. Teknolog. Dr. Teknolog reassures customers that Teknosa will support them not only during sales but also thereafter.

As part of Dr. Teknolog, service packages are provided in different categories such as "Safety," "In-Store Service" and "On-site Setup," and "Remote Support" services. The Technology Support Package enables customers to remotely access Dr. Teknolog through the Call Center and obtain answers to all their technology-related questions. Meanwhile, instant in-store support services, such as guidance for usage and installation, are available in selected stores for those customers who are new to the latest technology.

# Main Competitive Advantages

## Offering solutions that bring technology to life, Teknosa guides customers before, during, and after-sales and continues to develop new and value-added services.

TeknoGaranti, which extends the product warranty up to five years after the end of the manufacturer's warranty, and TeknoGüvence, offering two-year warranties for white goods and TVs regardless of the purchase outlet and with expired supplier's warranty, are among the proprietary services of Teknosa in the sector.

Offering solutions that bring technology to life, Teknosa guides customers before, during, and after-sales and continues to develop new and value-added services.

### Teknosacell, the New Look of Mobile Communications

Teknosa continues to operate as a one-stop-shop for technology and provides mobile communication services with Teknosacell, a first in the sector. The Company meets customers' communication and technology needs at a single point and with a single invoice through Teknosacell, offering generous Internet packages and exclusive benefits. Introducing new tariffs with numerous benefits in 2020, Teknosacell continued to expand its product portfolio with a tariff for children, and TeknoBox, a data tariff that allows subscribers to use the mobile Internet freely. Teknosacell has revamped its online sales channel processes, improving the experience of becoming a TeknosaCell subscriber with one click. Striving to expand its range of operations through new projects, the brand has increased the number of subscribers thanks to the "Renew Your Technology" service as a buy-back practice. The brand continues to operate in this area, providing customers with different services and advantages.

***Teknosa gives priority to train its employees to make them highly qualified experts in order to maximize customer and employee satisfaction.***

### The Industry's Most Comprehensive Private Label: Teknosa Preo

Launched in 2015 as an own brand, Preo now features more than 800 products in its range as of year-end 2020 and is the most comprehensive private label brand in the industry. Under the Preo brand, Teknosa continues to provide customers with small home appliances, personal care products, gaming accessories, notebooks, smartphone accessories, and the latest technologies. Teknosa will continue to diversify its Preo products in line with customer demand.

**500,000+**

Hours of Training for Employees

### A Robust Structure for Consumer Finance

Teknosa offers alternatives for consumer finance at its stores to facilitate shopping. These include ING's Teknokredi finance, Akbank's AKON, and for the online channel, ING's Shopper and Yapı Kredi's Shopping Loans. Over 1.1 million customers have utilized loans from the day shopping through finance was introduced to the end of 2020. Consumers are able to take out cost-free loans, either at the store or on online platforms, quickly, easily, and with compelling interest rates, enjoying up to 36 months of installments. Furthermore, customers with an ING Turuncu Extra account are able to enjoy loans with installments at the cash sale price for all products throughout the year.

### The Innovative Learning Destination: Teknosa Academy

Teknosa places great importance on training its employees to make them highly qualified experts in order to maximize customer and employee satisfaction. Founded in 2005 as Turkey's first academy in technology retailing, Teknosa Academy offers various learning and development opportunities through training programs and thus guides employees throughout their career paths. In 15 years, over 17,000 people graduated from Teknosa Academy taking over 500,000 hours of training. Teknosa carries out programs to provide all employees with equal training opportunities at the Academy and to ensure continuous education in line with the rapid advances in technology.

# Main Competitive Advantages

## Teknosa offers Mentee - Mentoring Programs, MT Programs, Young Talent Training Programs, and Corporate Coaching Programs for the purposes of talent management and development.

Adopting the blended learning model, Teknosa Academy takes changing user habits and means of access to information into account. Within this scope, it offers learning and development opportunities to employees also at teknosaakademi.com, where technology infrastructure and user experience are continuously improved. Teknosa Academy offers a minimum of 15 hours of in-class and online learning per employee on an annual basis. Employee development is encouraged through 10 product videos, 5 development videos, 10 blog posts, and 2 digital books released monthly.

In addition to the in-class courses of Teknosa Academy, employees benefit from learning and development opportunities based on six main digital channels. "teknosaakademi.com" is the main platform that encapsulates all channels: Providing e-learning, e-testing, and survey services, the platform is composed of Teknosa Learning Management System (LMS); the video-based learning platform TeknoTube; TeknoBlog, providing employees with interactive communication opportunities and fostering synergies; E-orientation and retail, a reference guide for newly-recruited employees; TeknoRehber (TeknoGuide) to monitor employees' on-the-job training, coaching and mentoring meetings; and TeknoSözlük (TeknoDictionary) for the meanings of retail and internal terms and abbreviations. In the meantime, a "Digital Library" was launched under teknosaakademi.com in 2020 as a program to contribute to employees' personal and professional development. As part of the program, employees are provided with access to summaries of two books patented by Teknosa every month.

A Mentee - Mentoring Program, various Manager Development Programs (All-Star Manager Program, Store Manager Training Program, Store Development Program, etc.), Young Talent Development Program, and Corporate Coaching Program are in place at Teknosa to manage and develop talent.

Teknosa continues to be differentiated through its project, "Mother Mentors of Teknosa," introduced in 2020 to support female employees on their career paths and to help them learn from one another's experiences. The project is intended to help women, working mothers in particular, to convey their experience in how to strike a work/private-life balance and thus assist their female colleagues utilizing the mentoring tool.

## Strong Logistics Infrastructure

Teknosa continues its investments in order to establish a powerful logistics infrastructure and maximize the efficient use of technology. As of year-end 2020, the Company has a sales area of 97 thousand $m^2$ and a warehouse covering 30 thousand $m^2$ of closed space. Boasting the largest logistics center in its sector, Teknosa handles all logistics operations from its dedicated logistics center at Gebze. The Company's logistics center has an online connection to all stores and all operations are carried out by utilizing information systems. Similarly, at the stores, retail operations are supported by technology while all processes, including stock level controlling, product placement, and label changing, are carried out via scientific retailing tools.

## Turkey's Air Conditioning Center İklimsa

İklimsa, which has leveraged the accumulated experience of Sabancı Holding for 36 years, positions itself as "Turkey's Air Conditioning Center." Mitsubishi Heavy Industries, Sigma (private label), GE Appliances, and Sharp and Samsung air conditioners, as well as Sharp refrigerators, are available at İklimsa, offering customers the world's leading brands at its selected points.

Gathering five brands and around 200 models under its umbrella, İklimsa spans Turkey with 291 authorized dealers in 65 provinces, in addition to 266 air-conditioning service centers in 70 provinces, and 154 white goods service centers in 68 provinces.

İklimsa that is at the forefront of the sector through distinctive campaigns aimed at customer satisfaction, sells Teknosa's electronic products exclusively for corporate customers via its dealers.

## Exclusive Benefits for Enterprises

Teknosa restructured its corporate sales organization to address organizations' technology needs and now provides corporate sales services both at its stores and at İklimsa centers. Accordingly, all enterprises can now procure technology products at exclusive price benefits and take advantage of leasing opportunities at the time of their purchase. Corporate gift cards available at all Teknosa stores enable enterprises to provide their employees, customers, and business partners with the chance to meet their technology needs on special occasions.

***Boasting 36 years of experience in the air conditioning sector, İklimsa is positioned as "Turkey's Air Conditioning Center."***

# Developments in 2020

## In 2020, Teknosa intensified efforts towards digitalization and transformation and made investments continuously even in the face of challenging market conditions.

**TL 5.6 billion**
Turnover


**TL 85.3 million**
Net Profit

In 2020, as the entire world experienced the deep impact of the pandemic on healthcare and the economy, Turkey fought relentlessly against the new coronavirus. Teknosa worked to contribute to this fight at the highest level, devising plans to identify the risks and introduce necessary measures before the first Covid-19 cases were even confirmed in Turkey.

Teknosa always puts the health of its employees, their families, and the public first. Accordingly, the Company worked in coordination with the Sabancı Group and, taking due care, introduced measures that involved establishing a dedicated committee, disinfecting working spaces, distributing health kits, working on alternating schedules, and implementing remote working models. Following the first confirmed case of the virus in Turkey, Teknosa was the first technology retailer to shut down its stores. Currently, the Company continues efforts to offer the healthiest and safest shopping experience to customers.

### Transformation Program for the Teknosa of the New Generation

Teknosa, 2019 yılının ikinci yarısında, tüm paydaşları için daha fazla değer yaratan, finansal yapısı güçlü ve sürdürülebilir, geleceğe güvenle bakan Teknosa

In the second half of 2019, Teknosa launched the Transformation Program for the Teknosa of the New Generation, geared towards a sustainable brand that creates further value for stakeholders, boasts a solid financial structure, and looks into the future with confidence. Under the Transformation Program, the Company has undergone a comprehensive transformation period in numerous areas, from store and sales staff efficiency and category management to supply chain and spending efficiency. In parallel with sustainability and profitability goals, Teknosa was restructured in many areas, from the provision of the right products at the right prices and at the right store, to the improvement of field operations, the efficiency of sales staff, and promotion management. Through such projects, the Company has clearly and directly increased the value it generates.

In 2020, Teknosa intensified efforts towards digitalization and transformation and made investments continuously even in the face of challenging market conditions. The Company will continue with its Transformation Program at full speed in 2021, creating win-win models with suppliers, enhancing customer experience and operational efficiency, and placing further emphasis on profitability.

### E-Commerce

Already delivering solid growth, e-commerce reached peak levels in 2020, driven by the pandemic. The number of online shoppers climbed rapidly during the period when stores were closed, and people stayed at home in accordance with health measures.

Teknosa remained focused on omnichannel operations in a pandemic-stricken 2020 and took steps geared towards the future of e-commerce and mobile trade. Moving teknosa.com to one of the world's best e-commerce platforms, namely SAP Hybris E-commerce Cloud, in late 2018, the Company continued enhancements to improve the performance of the website in 2020.

Performing much faster, the teknosa.com platform features full integration with the existing ERP systems, offers strong content management, and can define dynamic and flexible campaigns. As well, it improves Click & Collect (purchasing online and quick pick-up from the store), thus presenting an end-to-end service and addressing consumers' technology requirements 24/7.

The Company also expanded its same-day and next-day quick delivery network for online orders during the pandemic. Meanwhile, it started to ship a significant portion of e-commerce purchases from its stores' stocks, bringing consumers together with their technology needs in an uninterrupted fashion. Teknosa also improved its capabilities in the field of online shopping loans and direct shipment to consumers from suppliers' stocks.

In 2020, the Company improved the diversity of products and brands offered on teknosa.com in parallel with consumer expectations and needs. Sports and hygiene products, to address the rising needs and trends in the face of the coronavirus pandemic, were included in the portfolio. Offering protective face shields, hygienic masks, eau de cologne, and hand disinfectant gels for sale, Teknosa also added office furniture, gamer chairs, and TV units to its portfolio on teknosa.com. During this period, consumers were able to access a diverse range of products required by a household or an office on teknosa.com

As the stores still contributed to sales in 2020, teknosa.com and mobile apps also gained momentum and attained a share of 19% within the retail turnover. In 2020, the e-commerce turnover rose 3.6 times compared to the previous year.

### One-on-one communication with customers

Teknosa enhanced its webchat/live support services as more consumers opted for online shopping during the pandemic. Experts now communicate directly with customers who visit teknosa.com, assisting them during their shopping journeys and providing information on different areas from purchasing to delivery.

In 2020, Teknosa thoroughly revamped its mobile app to provide a better and faster experience and started to handle customer inquiries and requests conveyed on the platform via WhatsApp.

# Developments in 2020

## With a focus on turning 17.5 million customers' data on its system into an asset, Teknosa analyzed data via AI algorithms and deployed new applications to optimize the customer experience.

To help consumers obtain detailed instructions first-hand on technical features, performance, product dimension, and all services on offer, Teknosa combined online and offline channels and deployed Video Chat, a first practice in Turkey and a rare application around the world. The service enables technology enthusiasts to access experts within the stores via video calls and experience the products without having to visit a brick-and-mortar store.

**Quick Delivery and Click & Drive**

Boasting the most widespread store network in the industry, Teknosa extended its same-day and next-day delivery capabilities so that all consumers were able to quickly and easily reach their technology needs. Teknosa, the only company offering same-day and next-day delivery services in over 40 provinces, turned 12 stores in 11 provinces into 'dark stores' to deliver online orders in a swifter manner during the stores' temporary closures, thus ensuring seamless delivery from its own stocks retained at the stores.

*Boasting the broadest store network in the industry, Teknosa also extended its same-day and next-day quick deliveries for online orders.*


While enhancing delivery capabilities thanks to its omnichannel structure and broad presence, Teknosa also deployed the "Click & Drive" service, making yet another first in the industry. In addition to home deliveries and Click & Collect options, implemented for many years for the online shopping experience, customers can now avoid physical visits to the stores and instead receive their product at a pre-determined delivery point/parking lot. Efforts are ongoing to improve Click & Drive in parallel with customer trends.

## CRM and Data Analytics

Teknosa continued to strengthen its omnichannel infrastructure and services, continuing CRM and data analytics investments in 2020 to guarantee a better shopping experience for consumers. With a focus on turning the data of 17.5 million customers' on its system into an asset, Teknosa analyzed data via AI algorithms and deployed new applications to optimize customer experience.

Teknosa intensified data-driven analyses and improved operational efficiency so as to provide the consumer with the right product mix at the right location, acquire new customers, boost store efficiency, achieve dynamic pricing, optimize stocks and costs, and reach turnover and profitability targets. Within this scope, the Company initiated the "Assortment" project to develop the best assortment structure in line with the sales potential at stores.

Enhancing CRM brand partnerships in 2020, the Company carried out joint B2B and B2C campaigns with the companies of the Sabancı Group and external firms to generate more value for existing customers and acquire new customers. Teknosa also collaborated with selected universities with a view to supporting students and faculty members.

Teknosa organized raffles, surveys, and prize competitions to improve data quality in customer communication. As well, in order to improve store visits and sales rates, the Company communicates customers via gamification practices, thanks to Wi-Fi connections installed at the stores. Regular campaigns were carried out jointly with suppliers through the use of the CRM infrastructure.

In 2020, Teknosa analyzed customer data and effectively managed targeted and customized campaign processes.

# Developments in 2020

## Teknosa joined forces with Carrefoursa to develop an alternative channel of access for those who did not either shop online or prefer online channels during the time period when people stayed at home due to the pandemic.

Putting customer experience at the heart of all its activities, Teknosa runs "Lean Process Management and Customer Experience Management" projects aimed at a customer-centric transformation of processes. Accordingly, the customer experience at all points of contact was analyzed and a roadmap for 2021 formulated in line with customer expectations in 2020.

The Company continues studies to re-design and ensure the continuity of systemic processes in a lean, customer-focused manner, and provide the best experience at all points of contact with customers.

### Alternative Access Channels

Teknosa joined forces with Carrefoursa to develop an alternative channel of access for those customers who did not shop online or prefer online channels during the period of the pandemic when people remained at home. To enable shoppers to purchase the technology products they need while grocery shopping, the Company created technology corners at more than 20 Carrefoursa stores in Istanbul, Ankara, Bursa, Adana, and Antalya. It currently continues efforts to shape this initiative in line with customers' needs.

### In-Store Digitalization

While undertaking enhancements to optimize the experience on digital channels, Teknosa also accelerated in-store digitalization plans in 2020. In the coming period, it is planned to ensure widespread deployment of solutions such as contactless payments, electronic and digital labels, and hand-held terminals – all of which are aimed towards a more holistic customer experience and lean operations for field teams.

### Awards and Achievements

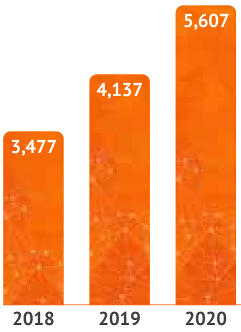
- First prize in the Technology Retailing and Anchor Store categories according to results from the survey, "Consumers' Number One Brand at Shopping Malls," conducted by the Shopping Centers and Investors Association
- "First in the Hardware Category" and "First in the Audiovisual Systems Category," according to the Bilişim 500 survey
- "Turkey's Most Reputable Business Partner" in the Electronics Category at the B2B Excellence Awards
- Silver Award in the Technology Markets Category at the Social Media Awards 2020
- Ranking in the Diamond League, the highest league in the Economic Benefit Index of the Reputation Academy of Turkey


**97 thousand m²**
Store
Area

# Key Financial and Operational Indicators

## The upward trend in teknosa.com and mobile apps continued in 2020, while e-commerce sales grew by 256% YoY reaching over TL 1 billion.

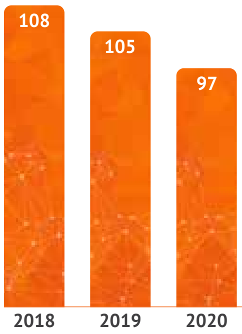
**Net Sales** (TL Million)




**35.5%**

*Teknosa's net sales equal TL 5.6 billion as of the year-end of 2020.*

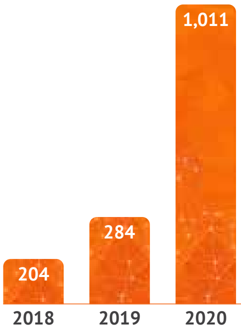
**Sales Area** (Thousand m²)




**7.6%**

*Teknosa's sales area is 97 thousand m² as of the year-end of 2020.*

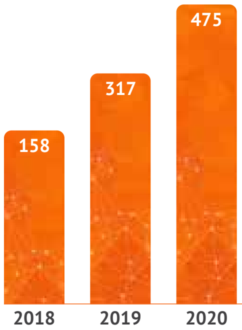
**E-Commerce Sales** (TL Million)




**256%**

*In 2020, Teknosa's e-commerce sales grew by 256% and reached over TL 1 billion.*

**EBITDA** (TL Million)




**49.6%**

*Teknosa's EBITDA rose by 49.6% to TL 475 million.*

| Financial Indicators (TL Million) | 2018 | 2019 | 2020 |
|---|---|---|---|
| Net Sales | 3,477 | 4,137 | 5,607 |
| Total Assets | 760 | 1,513 | 1,961 |
| Total Shareholders' Equity | -103 | -252 | -166 |
| EBITDA | 158 | 317 | 475 |
| Net Profit/(Loss) | -65 | -149 | 85 |

| Operational Indicators | 2018 | 2019 | 2020 |
|---|---|---|---|
| Sales Area (thousand $m^2$) | 108 | 105 | 97 |
| Number of Stores | 205 | 200 | 211 |
| teknosa.com Sales (TL Million) | 204 | 284 | 1,011 |

| Financial Ratios | 2018 | 2019 | 2020 |
|---|---|---|---|
| Current Ratio (Liquid Assets/Short Term Liabilities) | 0.69 | 0.67 | 0.81 |
| Liquidity Ratio (Liquid Assets-Stocks/Short Term Liabilities) | 0.12 | 0.09 | 0.26 |
| Total Liabilities/Shareholders' Equity | -8.38 | -7.01 | 12.84 |
| Total Liabilities/Total Assets | 1.14 | 1.17 | 1.08 |

# Sector Developments and 2021 Expectations

## A closer look at the details of product categories in the consumer electronics market reveals that IT is the fastest-growing segment with 129.8% in 2020.


The Consumer Electronics Market comprises five sales channels: Chain Stores, Traditional Channel, Computer Shops, Telecom Dealers, and Technology Superstores (TSS). According to the results in 2020, TSS – a category in which Teknosa also operates – has a 23.5% share of the consumer electronics market.

The Regulation Amending the Regulation on Bank Cards and Credit Cards, and the Regulation Amending the Regulation on Banks' Loan Transactions, published during the year in the Official Gazette, introduced a series of changes to the statutory installment periods in various product categories, which had an impact on consumer demand.

According to the Technology Retail Panel Study conducted by independent research institute GFK, the total size of the Consumer Electronics Market – including White Goods and Small Home Appliances – was TL 89 billion in 2020. This represented a 37.8% increase compared to 2019.

A closer look at the details of product categories in the Consumer Electronics market reveals that the Information Technologies segment, with 129.8%, is the fastest growing. IT is followed by Telecom with 36.9%, Large Domestic Appliances (including air conditioners) with 29%, Consumer Electronics with 28.9%, and Small Home Appliances with 18.4%.

Compared to the previous year, Teknosa attained turnover of 36%, amounting to TL 5.6 billion, recovering its net profit by TL 234 million and thus reaching TL 85.3 million in profitability, as opposed to TL 148.6 million of loss in 2019. Furthermore, the Company invested around TL 38 million in infrastructure and customer outreach channels. Online sales corresponded to more than TL 1 billion, a 19% share within total retail turnover.

A decision was passed to monitor uncertainties caused by the Covid-19 pandemic in the global economy, in our industry, and in economic activity during a period where curfews are ongoing as part of the measures taken to fight the coronavirus. Accordingly, goals and expectations will be updated when uncertainties have subsided and those updates will be announced to the public.

In 2021, the Company plans to invest TL 80 million to enhance and diversify the technology infrastructure in line with the customer-focused omnichannel strategy.

**TL 89 billion**

Size of the Consumer Electronics Market

# Message from the Chairman of the Board of Directors

## With swift progress in digitalization and transformation, we have created a Teknosa with a lasting and sustainable growth model.

Esteemed Shareholders,

On its 20th anniversary, Teknosa improved its performance thanks to its steps toward digitalization and a customer-focused strategy, and welcomes 2021 in a stronger and more agile manner.

The year 2020 was marked by an unprecedented crisis with a deep impact on the economy and on healthcare worldwide. Turkey was also affected by the pandemic in a period of consistent economic and social development.

Turkey's economy saw the negative impact of the pandemic; after having embraced an upward growth trend as of the second half of 2019 and setting itself apart from the EU and G20 countries, Turkey delivered 4.5% growth in Q1 2020. The average Eurozone shrinkage in Q2 reached double digits at 14.7%, whereas shrinkage was 9.9% in Turkey. A series of measures in the face of pandemic-related problems, as well as steps towards normalization, injected momentum into recovery. As a result, Turkey reached 6.7% growth in Q3 and expects positive growth for Q4, thus outperforming many countries.

*Teknosa benefited from its solid infrastructure and firm steps towards digitalization while many industries and companies had to endure the challenges of 2020.*

Without a doubt, this period had a defining impact on the future plans of communities around the world. As disruptive technologies gained speed, digitalization processes in every area were deployed earlier than planned due to the pandemic. The critical role of agility and sustainability for today and the future has been understood.

Teknosa benefited from its solid infrastructure and firm steps towards digitalization while many industries and companies had to endure the challenges of 2020. Utilizing omnichannel business models and data-driven decision-making processes, Teknosa adapted itself to multifaceted change.

The pandemic once again demonstrated the indispensable role of technology in our lives. Access to technology prevented education, the economy, and social life in Turkey from coming to a halt. The demand for products that made working from home easier and that ensured the continuity of education grew remarkably, as did demand for products that facilitated hygiene and personal care at home, and made time spent at home comfortable and fun.

As the leading brand of technology retail in Turkey, we assumed a significant mission and continued our seamless service to provide everybody with the technology products they needed in the healthiest, safest and fastest manner. In the meantime, we embraced the change and steadfastly continued our transformation journey for the "Teknosa of the Future." We invested TL 38 million in infrastructure and transformation projects.

**Teknosa recorded the most successful results in its history and developed a sustainable growth model.** As we pursued the vision of the "Teknosa of the New Generation," the gains we made during the digitalization and customer-focused transformation program helped us maintain our rising performance healthily and consistently despite the challenging conditions.

# Message from the Chairman of the Board of Directors

## Our turnover rose by 36% YoY to TL 5.6 billion, and our net profit improved by TL 234 million reaching TL 85.3 million.

Consequently, we recorded the most successful financial results in Teknosa's 20-year history. We saw record highs in turnover and profitability, particularly during the second half of the year. Compared to the previous year, we attained a 36% growth in turnover, equaling TL 5.6 billion. We recovered our net profit by TL 243 million, reaching TL 85.3 million in profitability as opposed to TL 148.6 million of loss in 2019.

Teknosa also demonstrated its power in e-commerce, which skyrocketed due to the pandemic. Offering a seamless experience and innovative services, teknosa.com remained the preferred destination for technology enthusiasts and online shoppers. This helped us attain growth of 256% in e-commerce and reach over TL 1 billion in turnover in 2020.

Advancing rapidly in digitalization and transformation, we have created a Teknosa with a lasting and sustainable growth model. Today, we are ready to carry these achievements forward.

**We are determined to prepare Teknosa for the future in the strongest manner.**
Sabancı Holding, our principal shareholder, took an important step to boost Teknosa's capacity to make the most of future opportunities, as the Company continuously developed and improved itself in growth, profitability, agility, and customer-centricity. Holding 60.28% of Teknosa shares, Sabancı Holding announced a public offering for 10% of this stake on Borsa Istanbul to further strengthen the capital of the Company. The investors of Borsa Istanbul participated in the public offering at great speed and with great interest.

Guided by Sabancı Holding, and driven by the power of our investors, we are determined to prepare Teknosa for the future in the strongest manner. Our plan for 2021 is to intensify our investments to solidify Teknosa's capital structure and enhance our technology infrastructure.

We are Turkey's most experienced brand in an industry eager to embrace growth and opportunities. In an environment where digitalization is progressing at lightning speed to transform education, business, and social life, we anticipate that the strong demand for technology will persist and carry our business to new heights.

Although uncertainty is the only parameter that will mark the coming period, we fully believe that Turkey will enjoy numerous opportunities in the global economy. The pandemic demonstrated that technology, Teknosa's operating field, is an essential need. As such, it enabled Turkey to gain a better share within the global supply chain in almost all industries.


Indeed, our country has a strong potential owing to its young population and eagerness for technology and change. Thus, we prepare for a future in which Turkey and Teknosa will tap into significant areas for growth.

We have set our sights on generating great value in technology and digitalization, while taking the needs of society into account. As we maintain our lead in the retailing industry of the new generation, we will shape the future in light of the Sabancı Group's digitalization and sustainability vision.

I would like to thank all our stakeholders, first and foremost our employees, for uniting with us in tackling all the challenges arising from the pandemic and empowering us in 2020. I wish all of you a healthy and auspicious 2021.

Respectfully yours,

**Barış Oran**
Chairman of the Board of Directors of Teknosa

# Board of Directors

**Barış Oran**
**Chairman of the Board of Directors**
Sabancı Holding CFO and Chairman of Teknosa Barış Oran graduated from Boğaziçi University, Department of Business Administration and received an MBA from the University of Georgia.

He started his career in 1995 as an auditor at Price Waterhouse Coopers and from 1998 to 2003, worked at Sara Lee Corp. in Chicago IL, in audit, finance, and treasury/ capital markets. Between 2003 and 2006, he worked as Senior Manager at Ernst and Young initially in Minneapolis, MN, and then in Europe, Africa, and India regions. He started working at Kordsa Global in 2006 and held positions of Internal Audit Director, Global Finance Director, and CFO respectively.

Oran was promoted to Finance Director of Sabancı Holding in 2011 and to Director of Planning, Reporting, and Financing of Sabancı Holding in 2012. He has been working as Chief Financial Officer at Sabancı Holding since 2016.

Mr. Oran serves as the Chairman of the Board of Directors at Teknosa, Vice Chairman of the Board at Philip Morrissa and Philsa, and a Member of the Board of Directors at Carrefoursa, Enerjisa Enerji and Enerjisa Üretim.

He is also a Member of the Board of TUSIAD.

**Levent Demirağ**
**Vice Chairman**
Born in 1959, Levent Demirağ graduated from Ankara University's Faculty of Political Sciences. He served as Public Accountant in the Ministry of Finance from 1980 to 1992 and began working as a Counselor at Sabancı Holding in 1994. He was appointed as Financial Affairs Director in 2007.

Since May 2010, Levent Demirağ has served as Head of the Department of Financial Affairs, Accounting and Investor Relations, at Sabancı Holding. He is a Board Member at Group companies. Demirağ holds Certified Public Accountant and Independent Auditor licenses.

**Fezal Okur Eskil**
**Board Member**
Fezal Okur Eskil graduated from the Department of Industrial Engineering at Boğaziçi University and completed her MBA and MS degrees in Industrial Engineering at the Georgia Institute of Technology. She started her career as a management consultant at Kearney in Chicago in 2001 and worked as a strategy consultant in many sectors until the end of 2005. She joined Eczacıbaşı Baxter in 2006 as Operations Manager for one year. In 2007, she assumed the role of regional supply chain manager at Philip Morris International and managed the optimization and transformation process of the supply chains in a region consisting of Turkey, Greece, Serbia, and Romania. Fezal Okur Eskil joined Sabancı Holding Strategy and Business Development Group at the end of 2007 and was appointed as the Director of Strategy and Business Development in 2013. She took part in strategy and business development activities at the energy, retail, insurance, cement, and industry businesses at Sabancı Holding, and focused on new growth platforms and strategic portfolio management efforts for the same company. In 2018, Fezal Okur Eskil was appointed as Chief Officer of Enerjisa Enerji Strategy & Business Development. As of January 2020, she has been serving as CEO-Office Director of Sabancı Holding, followed by her appointment as the Strategy and Business Development Director and Construction Business Unit Leader at Kordsa in July 2020.

She also serves Carrefoursa, Enerjisa, Temsa Transportation Vehicles, and Kordsa as a Board Member. She is currently a Member of the Board at Sabancı DX and Teknosa.

**Uğur Gülen**
**Board Member**
Uğur Gülen received his Bachelor's degree from Middle East Technical University's Department of Industrial Engineering and obtained a Master's degree from the same department.

He started his career in 1991 and assumed various positions at Interbank, DenizBank, Ak Internet, and MNG Bank. From 2004 to 2009, he served as the Assistant General Manager at Akemeklilik and AvivaSA Emeklilik ve Hayat A.Ş. Since May 2009, Uğur Gülen has served as Aksigorta General Manager and as a Board Member.

**Mevlüt Aydemir**
**Independent Board Member**
Born in 1948 in Erzincan, Mevlüt Aydemir graduated from Istanbul University, Faculty of Economics.

He served at the Public Accountant Boards for the Ministry of Finance as a Public Accountant between 1972 and 1981. In 1981, Aydemir joined Sabancı Holding, assuming various roles until his retirement in 2010 as Head of Financial Affairs and Finance. From 2010 to 2015, Aydemir served Sabancı Holding as a Board Member and between 2015 and 2018 as the Board of Directors Consultant, from which he retired in 2018. Aydemir has served as a Board Member and Auditor of Sabancı Holding group companies, as well as a member of the Corporate Governance, Audit, and Finance Committee at Sabancı Holding.

**Mehmet Kahya**
**Independent Board Member**
Mehmet Kahya completed a double major and received Bachelor's degree in Chemical Engineering and Economics from Yale University (Connecticut, USA). He obtained his MBA in Finance, Marketing, and Operational Research from the Kellogg School of Management at Northwestern University (Illinois, USA).

Beginning his professional life as Chief of Sasa Management Services at Sabancı Holding, Kaya later became the leader at MKM International (Holland) and Sibernetik Systems, which he founded. Returning to the Sabancı Group as Vice Chairman of Automotive Group, he served as Vice Chairman and President of Temsa and Vice President of Toyotasa. He also served as a member of the Sabancı Holding Planning and Steering Council, and as a Member of the Board of Directors of Temsa, Toyotasa, Susa, and Sapeksa.

Later, Kaya took on the roles of Executive Director and Deputy Chairman of the Board of Directors of Carnaud Metalbox, and Chairman of Uzel Makine. He also served as an Executive Committee Member of Uzel Holding, as Director General and Vice Chairman at the Paint Group of DYO, as an Executive Committee Member at Sarten Ambalaj, as Vice Chairman of the Board of Directors of Gierlings Velpor (Portugal), and as Chairman of Assan Alüminyum.

Currently offering consultancy services for strategy, restructuring, profitability transformation, growth, merger and acquisition projects at Kronus Company, which he founded, Mehmet Kaya also serves as an Independent Board Member at Carrefoursa, Brisa, and Teknosa, as a Board Member at biomedical startup Electrosalus and as a shareholder advisor at Dağbaşı Yatırım, Enerjeo Gediz, and Enerjeo Kemaliye.

# Message from the General Manager

## We attained a record e-commerce growth of 580% in the second quarter of 2020, when our stores were closed for a full two-month period.

Esteemed Shareholders,

In 2020 that we celebrated our 20th anniversary,, we continued to be the leader of new generation retail in Turkey with the innovations we launched in the industry, the strong bond we have with technology enthusiasts of all ages, and the seamless shopping experience that we guarantee on every channel.

In 2020, we faced numerous unprecedented challenges and experiences due to the Covid-19 pandemic. Digitalization gained speed, new needs emerged, business models and ways of doing business changed dramatically.

We adapted to this change swiftly, thanks to our steps towards digitalization and customer-centric transformation as part of our significant omnichannel and data analytics investments in 2018, and the Transformation Program for the Teknosa of New Generation in 2019. We analyzed customers' changing expectations and needs, introduced practices that made difference in the sector, and remained a reference point in Turkey for technology purchases.

As a result, we reached record performance levels in the history of Teknosa. Despite the adverse dynamics caused by the pandemic, we achieved 36% growth and concluded the year with a turnover worth TL 5.6 billion and a net profit worth TL 85.3 million.

***We analyzed customers' changing expectations and needs, introduced practices that made difference in the sector, and remained a reference point in Turkey for technology purchases.***

Our online channel, teknosa.com, had quite a successful year and delivered a distinctive service quality through solid infrastructure, swift shipment, and improved product availability and diversity. We attained a record e-commerce growth of 580% in Q2 when our stores were closed for a full two-month period. Our turnover in the online channels saw a 3.6-fold increase and reached over TL 1 billion. The share of online sales corresponded to 19% within the total retail turnover.

Faced with the pandemic, we all witnessed the uniting and healing power of technology and how indispensable it is in all aspects of life. Accordingly, the basket of technology shopping surged. Access to technology has become much more critical for education at home, remote work, household hygiene, and communication. Thus, the Consumer Electronics Market attained a strong growth of TL 89 billion in 2020. While digitalization gained speed, the need for technology in all areas became even more essential andhad a positive implication on sales across all categories. Distance learning and working from home continued due to the pandemic, resulting in a

surge in demand for the IT category and reaching a 129.8% growth year-on-year. Telecom grew by 36.9%, white goods by 29%, consumer electronics/TV by 28.9%, and small household appliances by 18.4%.

After the first confirmed Covid-19 cases in Turkey, we were the first technology retailer to shut our stores to protect the health of our employees, customers, and society. Our stores remained closed for more than two months; however, our service delivery continued at full speed via teknosa.com and mobile channels to ensure that customers could get the technology they needed. We focused on transforming 17.5 million customers' data registered in our systems into an asset while launching new processes to optimize customer experience.

We further improved our webchat/live support services to ensure one-on-one communication with customers while stores were closed and more and more people opted for online shopping during the pandemic. We also started to provide WhatsApp

# Message from the General Manager

## We tapped into the power of our stores and delivered the live “Video-Chat” app – a first practice in Turkey and a rare solution in the world – to blend online and offline channels.

support via the mobile app, which we revamped fully in this period. We tapped into the power of our stores and brought the “Video- Chat” app live, as a first practice in Turkey and a rare solution in the world, to integrate online and offline channels. We made sure that customers could enjoy an in-store experience on teknosa.com, without having to visit a brick-and-mortar store.

We expanded our fast delivery network so that everyone was able to get the technology they needed. As for online orders, we make a difference in the sector with our same-day and next-day delivery services in more than 40 provinces. Click & Drive, a first in organized retail, was launched for customers who wish to get the products they order promptly and without having to enter a store. We have the widest store network in the sector, which is key for us in diversifying our delivery options.

During the period of time when we stayed at home due to the pandemic, we developed an alternative access channel for those who were not able or preferred not to shop online: We established technology corners in over 20 Carrefoursa markets in the second quarter of the year. We strive to further improve this initiative in collaboration with Carrefoursa.

While undertaking enhancements to optimize the experience on digital channels, we also accelerated in-store digitalization plans in 2020. The plan for the coming period is to ensure widespread deployment of solutions such as contactless payments, electronic and digital labels, and hand-held terminals, all of which are aimed toward a more holistic customer experience and lean operations for field teams.

In parallel with the changing needs of this period, we diversified our product portfolio. We added new products to our portfolio to address emerging needs and trends in the face of Covid-19. We continue to shape and diversify our product mix in line with these factors.

***We focused on transforming 17.5 million customers’ data registered in our systems into an asset, while launching new processes to optimize customer experience.***

To address customers’ Internet and communication needs, we developed new solutions and enhanced our tariffs under the first and only mobile communication and line service in Turkey’s technology retailing industry, Teknosacell. We expanded the Teknosacell family with new subscribers.

*With our progress in digitalization, our steps towards cultural transformation, and the large supply ecosystem behind us, we are ready to tackle change and a variety of possible scenarios in an optimal manner.*

Our own brand – and the most comprehensive "private label" in the industry – Preo offered over 800 products from gaming and accessories to small household appliances and personal care, and thus remained an outstanding alternative for technology enthusiasts seeking new, quality technology products at affordable prices. We delivered millions of Preo products to customers. We continue efforts to improve and penetrate new channels with our private label.

As a good corporate citizen, we continued to create value for society in 2020. We spearheaded efforts in the efficient use of natural resources and energy efficiency – which are among the indispensable components of our sustainability perspective. Under the "Technology for Women" project launched in 2007, we supported the digital literacy of 2,500 women this year.

We believe that 2021 may be a rather difficult year, marked by uncertainties caused by the pandemic. With digitalization gaining speed, however, new opportunities will unfold for our country and the industry. We are making our plans according to this. With our progress in digitalization, our steps towards cultural transformation, and the large supply ecosystem behind us, we are ready to tackle change and a variety of possible scenarios in the optimal manner.

We will invest in digitalization and our greatest asset – employees – in the coming periods. We will continue to develop innovations geared towards a healthy, safe, and optimum experience for customers; to launch new practices to pioneer a holistic retail experience, and to transform our gains into added value for our customers and Turkey.

I thank the members of my team for their selfless efforts in these tough times caused by the pandemic; our business partners for their assistance to us in tackling the challenges; and our consumers and investors for their trust in us in 2020. I wholeheartedly believe that we will together build a better future for everyone. I wish all our stakeholders a healthy and auspicious 2021 abounding with new initiatives.

Respectfully yours,

**Bülent Gürcan**
General Manager of Teknosa

# Executive Committee

**Bülent Gürcan**
**General Manager**
Bülent Gürcan graduated from Istanbul Technical University, Department of Civil Engineering in 1988.

Mr. Gürcan worked as Sales Manager at Sony Gulf between 1992 and 1993, as Managing Partner at Max Mara between 1993 and 2000, as Operations Manager at TopShop, Topman/Giysa between 2000 and 2002, and as Retail Director at Başer Holding between 2002 and 2004. Having served as Director of Sales and Assistant General Manager of Operations at Teknosa between 2004 and 2013, he was CEO of Media-Saturn Turkey for the subsequent two years.

Bülent Gürcan has been the General Manager at Teknosa since April 1, 2015.

**Ümit Kocagil**
**Assistant General Manager - Finance**
Ümit Kocagil graduated from Marmara University, Department of Economics (English).

Mr. Kocagil began his professional career at the Tax Department of Ernst & Young (Arthur Andersen) in 1995. From 1999 to 2007, he worked at Danone Tikveşli as Budget Planning & Control Specialist, Budget Planning & Control Manager, and Reporting & Accounting Manager, respectively. Between 2007 and 2014, he served as Accounting, Reporting and Tax Group Manager at Carrefoursa and as Accounting, Closing and Tax Group Manager after 2014.

Mr. Kocagil has been serving as the Assistant General Manager - Finance since October 25, 2016.

**Önder Ömer Oğuzhan**
**Assistant General Manager - Marketing and Technology**
Önder Oğuzhan graduated from Boğaziçi University, Industrial Engineering Department in 1996 and completed his MBA at the University of Georgia.

Oğuzhan started his career at FedEx USA in 1998, serving as a Strategic Marketing Analyst for 10 years, and as Global Pricing and Sales Support Manager until 2008. He worked as a Partner and Analytical Projects Manager at Peppers & Rogers Group between 2008 and 2010, and as a Founding Partner at North Atlantic Group between 2010 and 2016. At the same time, Oğuzhan worked as a Management Consultant between 2011 and 2014 at IBM USA and between 2014 and 2016 in Abu Dhabi. He served as the Country Manager of Digital Strategy and Transformation at IBM Turkey from 2016 to 2019. He holds a CFA (Chartered Financial Analyst) certificate and has been teaching 'Strategic Marketing and CRM' at Fordham University's New York campus for the past seven years.

As of September 2019, Önder Oğuzhan has served as Chief Marketing and Technology Officer at Teknosa.

**Tansu Öztorun**
**Assistant General Manager - Retail and Dealer Sales and Operations**
Tansu Öztorun graduated from Istanbul Technical University, Department of Mechanical Engineering, and received his Master's degree from the Department of Mechanical Engineering at Istanbul University. Also, he completed the International Business program at Istanbul University.

Öztorun began his professional career as a Product Engineer at Motosan in 1990. He later worked as a Post Sales Engineer at Kurteks A.Ş. and as Trade Specialist at Otokar. At Toyotasa, where he spent 11 years, he worked as Marketing and Sales Training Specialist, Sales Training Chief, Direct Sales Chief, Fleet Sales Chief, Corporate and Special Sales Manager, and Toyota Retail System (TRS) Manager, respectively. Between 2008 and 2011, he worked as Sales and Marketing Director at Hedef Filo Servis A.Ş. and between 2012 and 2014, as a consultant at Bir Psikodrama Eğitim ve Danışmanlık, and later as General Manager at a Renault Authorized Dealer.

Mr. Öztorun, who began working for Teknosa as the İklimsa Director of Sales in 2014, continues to serve as Assistant General Manager - Retail and Dealer Sales and Operations.

**Doğa Oran**
**Assistant General Manager - Category Management and Supply Chain**
Doğa Oran graduated from the Department of Economics, Middle East Technical University, in 1998. He obtained an Executive MBA from Sabancı University in 2002.

Mr. Oran began his professional career in 1998 at the Audit Department of PricewaterhouseCoopers. He worked as Corporate Development Specialist at Sabancı University between 2001 and 2004, as Senior Specialist at Xerox Financial Planning and Analysis Department between 2004 and 2005, as Director in the Corporate Finance Department of Garanti Investment between 2005 and 2013, and as the CFO of Crate & Barrel Turkey and Russia between 2013 and 2014. He was appointed to the Strategy and Business Development Group at Sabancı Holding and worked there between 2015 and 2017. Since April 2017, he has been serving as Senior Manager in the Retail Group.

Mr. Oran, who started serving Teknosa as Assistant General Manager in charge of CRM and Data Analytics on March 1, 2018, continues to work as the Assistant General Manager in charge of Category Management and Supply Chain.

**Ersin Aydın**
**Assistant General Manager - Human Resources**
Ersin Aydın graduated from Hacettepe University, Psychological Counseling and Guidance Department in 1995.

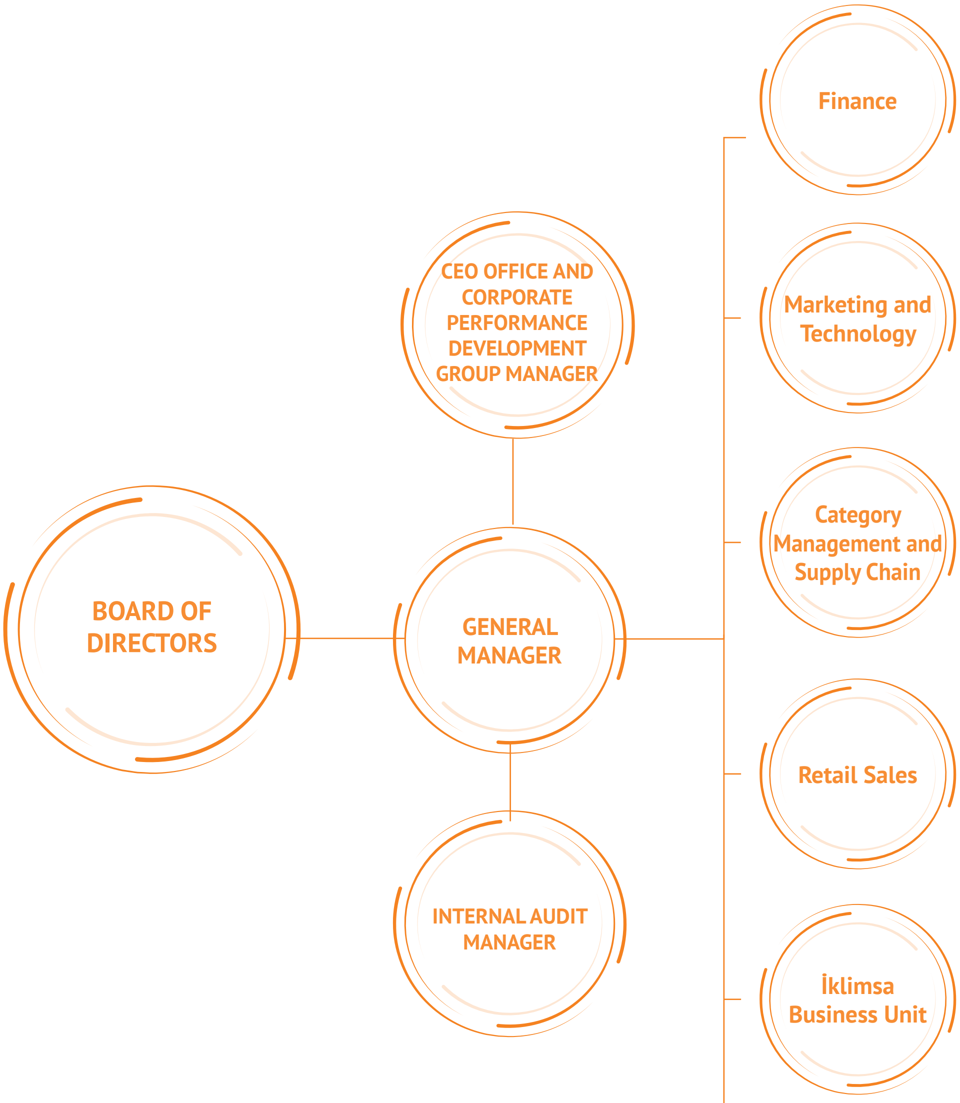
He started his professional career as a Human Resources Specialist at Migros in 1998 and in 1999 worked as a Human Resources Specialist at Superonline. Between 2000 and 2002, he served as a Consultant at Profile International, and as Human Resources & Systems Manager at Odeon Cineplex between 2002 and 2003. Aydın continued his career at Turkcell, serving as Labor Relations Manager between 2003 and 2006, and as Investments Business Support Division Head between 2006 and 2007. From 2007 to 2008, he worked at KKTCELL in Cyprus as Assistant General Manager for Human Resources Administrative Affairs and Information Technologies. He joined CJSC Belarussian Telecommunication Network in Belarus, serving as a Consultant between 2008-2009 and as Assistant General Manager between 2010-2011. Aydın served as Human Resources Director in Turkey at Global Bilgi between 2011 and 2014, at LC Waikiki between 2014 and 2015, and at Alliance Healthcare between 2015 and 2016. He held the same position at FLO Mağazacılık from 2016. In addition, he has been a CTI Certified Professional Co-active Coach since 2013.

Mr. Aydın has served as Assistant General Manager for Human Resources at Teknosa since May 4, 2020.

*On February 1, 2021, Nail Enver Yelkenci took office as Assistant General Manager for Retail Sales at Teknosa.


TEKNOSA
TURUNCU
İNDİRİM
PHILIPS

# Organizational Structure




| Employee Structure | 2019 | 2020 |
|---|---|---|
| Teknosa Administrative Staff | 347 | 397 |
| Teknosa Store Staff | 1,923 | 1,941 |
| **Total** | **2,270** | **2,337** |

# Sustainability Approach

## As a good corporate citizen, Teknosa created value for society also in 2020, while spearheading efforts in gender equality, efficient use of natural resources, and energy efficiency, which are among the key elements of its sustainability approach.

In addition to its business operations, Teknosa is focused on creating value for today and the future as a good corporate citizen. In this framework, the Company takes steps to foster a meaningful change within the society across such areas as transparency, gender equality, environmental sensitivity, and responsible use of resources.

It is a priority for Teknosa to fulfill its responsibility for its employees, their families, and other stakeholders, and to raise the living standards of the communities in which it operates.

# Human Resources

## Teknosa is committed to providing a safe and healthy work environment where employee expectations and opinions are taken into account, practices to foster loyalty are developed, and ethical values are upheld.

Teknosa's Human Resources policy is built on the vision, "the Sabancı of the New Generation," in line with the Company's targets and strategies, as well as the Sabancı Group's Human Resources policy.

Teknosa Human Resources management and practices are intended to guarantee that employees have an experience that gives them purpose and the opportunity to realize their potential while encouraging justice, continuous development, participation, high performance, and diversity.

**Succession and Career Management**

While determining organizational requirements in line with its strategies, Teknosa develops succession and career plans by assessing employees' performance, potential and personal preferences. As part of the Organizational Success Plan in integration with Sabancı Group Human Resources, Teknosa's critical performance indicators and plans for its human resources and organization are reviewed. In addition, employee potentials are assessed, and appropriate succession plans are drafted for all management positions and other critical positions.

*In line with employee expectations and needs, Teknosa provides side benefits depending on the job size, changing by role in contents in the company.*

## Recognition, Appreciation, and Total Reward Management

Teknosa implements rewarding, motivating, and competitive compensation, as well as benefits and recognition practices that promote fairness and objectivity. The Company also practices impartiality and encourages high performance with a focus on employees' competencies and contributions to business results.

All practices under Rewards and Benefits Management are regularly reviewed and updated through market analyses and benchmarking studies. For all the roles within the Group, the workload, the level of core responsibilities under the role, its contribution to the organization, and knowledge/skills/experience and competencies required for the role are taken into account in assessments. The hierarchy based on this assessment serves as a basis for wages and benefits.

At Teknosa, wage management is conducted in accordance with legal and regulatory requirements, and in line with compensation policies. Compensation policies are formulated in consideration of macroeconomic data and individuals' workloads, performances, as well as the Company's long-term goals, and in-house and external salary patterns. To support wage management with additional benefits, 'side benefits' are considered an integral element in total reward management. In line with employee expectations and needs, Teknosa provides side benefits depending on the job size, changing by role in contents in the company.

## HR Data Analytics and Digitalization

Systems and practices are regularly updated to establish a data-driven decision-making culture within the human resources processes of Teknosa, and the skills of HR teams are developed accordingly. The Digital Application Form and Chatbot are among the projects launched to digitalize Human Resources. Activities related to the "Robotics" project involving RPA and AI technologies are ongoing. Once completed, all the recruitment and orientation processes, as well as the legal reporting efforts of Human Resources, will be handled by this tool.

## Suggestion System

Teknosa rolled out "TeknoBox" as a new suggestion system to encourage employee's participation in decision-making processes for digitalization, lean process management, innovation, employee engagement, customer experience, and OHS & environment.

# Human Resources

## Teknosa rolled out "TeknoBox" as a new suggestion system to encourage employees' participation in decision-making processes for digitalization, lean process management, innovation, employee engagement, customer experience, and OHS & environment.

### Teknosa Support Team Project

Launched to reinforce collaboration and dialogue between the Head Office and stores, the project enables the Head Office team to acquire knowledge on in-store practices, follow customer expectations and needs more closely, and provide sales and operational support to store staff during peak times such as weekends.

### Tekno Bulletin

Tekno Bulletin is intended to enhance internal communications and disseminate success stories and projects within the Company. Updates from Teknosa are e-mailed to employees two times a month.

### Master's Degree Support

Taking Teknosa's needs into account, eligible employees who file an application receive 50% financial support towards obtaining a Master's Degree.

### Teknosa Grants and Support for Education

Teknosa Education Grants are provided until the end of the high school education for the children of those employees whose spouses have died. The children of employees applying for Teknosa's Education Support due to financial hardship receive Education Support for a period of one year if they are deemed eligible under certain criteria. Application/selection processes are updated every year.

### Internal Trainers

Teknosa is committed to training highly qualified, expert employees to maximize customer and employee satisfaction. Therefore, in 2018, the Company introduced the Internal Trainers Program, composed of Teknosa employees regardless of their titles, for the purposes of keeping the continuous learning environment active and enabling an exchange of information and experiences. As part of the Program, which has hosted 25 Internal Trainers to date, each trainer received an average of 51 hours of training and delivered over 13,000 hours of training to other employees, thus significantly contributing to the development of their colleagues.

### Performance Management

Teknosa employees work on their individual business goals and competency development goals for a year in order to demonstrate their successful business results, commitment to the corporate culture and values, and outstanding performance. At the end of the year, employees evaluate their performance with their manager and receive feedback.

## Employer Brand

The Teknosa Human Resources Department represents and enhances the employer brand in the best manner, and actively manages Teknosa Career pages on LinkedIn, Facebook, and Instagram to attract talent. Best practices, vacant positions, announcements, and internal Company news are posted on career pages.

## Organizational Climate and Employee Engagement Management

Teknosa strives to establish a safe and healthy working environment where employee suggestions and expectations are heard; approaches to promote loyalty are instituted; ethical values are upheld, and the work-private life balance is taken into account. Adopting the right leadership styles, the Company works to create a positive organizational climate and guarantee sustainable employee loyalty. In this context, Teknosa assigns independent firms to conduct regular employee engagement and satisfaction surveys.

In addition, staff perception on organizational climate and the management team's leadership style, which are directly connected to engagement and have the greatest impact on this climate, are also regularly measured by independent firms. Opportunities and improvement areas identified in the surveys are examined by Human Resources and management teams; necessary action plans for progress are put into practice and monitored accordingly.

## Labor Relations Management and Regulatory Compliance

Teknosa manages labor relations in accordance with applicable laws, regularly follows up relevant regulations, and makes use of all opportunities and incentives. Teknosa implements a zero-tolerance policy for discrimination based on language, race, color, gender, political opinion, faith, religion, denomination, age, physical disability, or similar factors. Teknosa is committed to providing a working environment where a work-private life balance is guaranteed. The Company is also an equal opportunity employer that implements practices to encourage women, youth, and the disabled to actively participate in working life. All necessary measures are taken under the Occupational Health and Safety policy against cases that may have a negative physical and psychological effect on employees.

*Teknosa intends to guarantee that employees have an experience that gives them purpose and the opportunity to realize their potential while encouraging justice, continuous development, participation, high performance, and diversity.*

# Corporate Social Responsibility

## Over 2,500 women across Turkey benefited from "Technology for Women" the digital literacy program of Teknosa that continues since 2007.

Teknosa aims to improve lives and support Turkey's steps toward development through social responsibility projects and voluntary efforts.

### Technology for Women

Under the "Technology for Women" project initiated in 2007, Teknosa pursues gender equality through contributing to digital literacy among women with limited computer and Internet capabilities in Turkey. Over 20 thousand women have received free-of-charge digital literacy courses to date under the project intended to encourage women to participate in social and cultural life and to become active users of technology. In 2020, courses were moved to the online platform due to the pandemic and more than 2,500 women across Turkey participated the education program. The courses include topics such as the basics of using a computer and Office programs, as well as using social media, e-services, the Internet, and mobile devices securely; thereby enabling women to communicate with their children, grandchildren, friends, and family; interact with the world; access information about their areas of interest; and perform transactions that make life easier for them, such as online banking and shopping and use social media platforms efficiently for their jobs. Women who participated in the project's courses indicated that they feel more confident, equal, and empowered after becoming more informed in technology. In the furtherance of the project, the Company aims to introduce additional developments in line with women's needs.

As a signatory of the Women's Empowerment Principles (WEPs), a joint initiative of UN Global Compact and UN Women, since 2018, Teknosa has committed to seven principles for establishing corporate policies to promote gender equality and become the first technology retailer from Turkey to have taken part in this platform.

Teknosa also supports the Yanındayız Foundation, which advocates gender equality, and is a corporate member of the Lead Network, striving to support the female leaders, increase the number of female executives and contribute to their development in the retail and consumer products sector.

The Company provided tablets and computers in line with the requests and requirements for online education conveyed by schools and civil networks. Product donations were made for healthcare institutions throughout the pandemic.

Teknosa conducts voluntary studies with NGOs under the leadership of the Teknosa Volunteers Club to raise awareness of social responsibility among employees. Additionally, Teknosa contributes to Sabancı Volunteers projects.


## Technology for Youth

Teknosa focuses on project collaborations aimed at youth. Since 2018, the Company is among the supporters of Askıda Ne Var, an outstanding social initiative working to support youth in Turkey. Via this platform, Teknosa provides university students with the technology products that they need.

Furthermore, Teknosa provides technology support to events held by universities and thus contributes to the active continuation of such useful social organizations.

## Esports

Teknosa is among the leading brands supporting esports and young esports enthusiasts in Turkey. Since 2014, it has contributed to numerous events organized in this field and hosted esports enthusiasts in the events organized at its stores. In 2020, Teknosa sponsored the Intel ESL Turkey championship, just as it did in 2019.

# Occupational Health and Safety

## Teknosa prioritized the health of employees and people and became the first technology retailer to close its stores in 2020, a year hit by the coronavirus pandemic. Teknosa currently implements all health measures thoroughly.

Employees are Teknosa's most precious asset in all its operations. Therefore, it is the top business priority of the Company to provide a safer and healthier working environment and minimize any loss that may occur.

Complying with applicable laws and standards in occupational health and safety practices, the Company pursues continuous performance development in this area. Teknosa analyzes the potential risk exposure of all activities undertaken and adopts a proactive approach to prevent these risks. At Teknosa, the Occupational Health and Safety Culture is an integral part of life.

This was also the mindset behind Teknosa's efforts to tackle the Covid-19 pandemic in 2020. Prior to the first confirmed Covid-19 cases in Turkey, the Company formed crisis teams chaired by the senior management and started to implement necessary measures by assessing the potential impact of the pandemic in all aspects. All necessary measures, including disinfecting the working places, placing informative notes and warnings, and social distance stickers, as well as more frequent cleaning, were fully maintained.

# Environment

## To celebrate Retailers Day through a meaningful event, Teknosa collaborated with ecording and threw 10,000 seed balls on behalf of its employees.

In line with environmental sustainability efforts, Teknosa continued to work towards the efficient use of natural resources, energy efficiency, waste management, and waste recycling in 2020. Teknosa undertook the following efforts for energy efficiency:

- Automation systems were installed at 56 stores, which took over energy management from the staff and cut energy consumption by some 15% (around 1.73 million KW per annum).
- The existing lighting fixtures at the Gebze logistics center and 114 stores were replaced with LED fixtures, resulting in 4.3 million KW in energy savings annually. LED fixtures were placed in new and renovated stores.
- In an attempt to reduce $CO_2$ emissions, 71% of the vehicles within the rental carpool of the Company were replaced with hybrid cars.

Teknosa continued to collect electronic waste and waste batteries in the waste containers at the stores in 2020. It worked together with local administrations and authorized bodies to send waste to recycling facilities and recover them.

The Company also moved most of its processes to the digital environment and hence minimized the use of paper.

Teknosa partnered with sustainability NGOs, platforms, and associations such as the Business Council for Sustainable Development Turkey (BCSD Turkey), Materials Marketplace, and TUSIAD's Environmental and Climate Change Working Group.

Teknosa blended technology and its social responsibility approach to celebrating Retailers Day through a meaningful event. In an attempt to save the planet for a better future and pass it to the next generations, Teknosa partnered with ecording and threw 10,000 seed balls on behalf of its employees on the occasion of Retailers Day. Employees have the chance to monitor how the seeds thrown by drones flourish in nature.

# Information on the Organization

### Privileged Shares, Voting Rights

According to Teknosa's Articles of Association, the Company does not have any privileged shares and has a single right to vote for each share. There is no company with which Teknosa engages in a cross-holding relation. The Articles of Association does not contain any provision that restricts the transfer of shares. Share transfers between the shareholders are performed as per the provisions of the Turkish Commercial Code and Capital Markets Law.

### Information on The Company's Acquisition of its Own Shares

Teknosa does not hold any acquired shares of its own.

### Investment Costs

The Company has invested TL 38 million in its infrastructure and customer outreach channels, including online channels.

### Donations and Aids Made by the Company During the Year

In 2020, Teknosa donated TL 64,036.09 in total to charitable organizations.

### Information on the Report Explaining Relations with Controlling Shareholders and Subsidiaries in the Framework of Article 199 of the Turkish Commercial Code

In the report, our Company evaluated the following transactions conducted with the controlling company and associated companies during the reporting year (January 1, 2020 - December 31, 2020) in accordance with accountability principles and conditions known to us: All legal transactions as well as all legal transactions conducted under the direction of the controlling company, and all other measures taken, or refrained from being taken to the advantage of the controlling company, or one of its subsidiaries in 2020, under the circumstances and conditions known to the Board at the time. In the report issued by the Teknosa Board of Directors on February 16, 2021, it was concluded that, in all transactions performed by Teknosa with the controlling company and the associated companies of the controlling company in 2020, all necessary legal transactions were conducted and all measures taken as described as per Article 199 of the Turkish Commercial Code No. 6102 and as required by the responsibilities assigned to the Board. The transactions are in conformity with the precedents, according to controlling company statements as per the relevant articles of the Turkish Commercial Code numbered 6102, and we declare that Teknosa did not incur any loss due to the fact that it operates under a Group of Companies.

# Corporate Governance and Sustainability Principles Compliance Report

## SECTION I - CORPORATE GOVERNANCE

### 1. Corporate Governance Approach

Teknosa commits to comply with the four key principles of Transparency, Fairness, Responsibility, and Accountability of Corporate Governance and recognizes that good corporate governance practices are essential for sustainable growth in today's economies.

Traded on BIST Main, Teknosa shapes its management approach based on these principles and takes best practices in the world as a reference while developing its corporate governance practices every year.

### 2. Corporate Governance Principles Compliance Status

Teknosa is in full compliance with all of the 24 mandatory principles for publicly traded companies as set out in the Corporate Governance Communiqué no. 17.1 (Communiqué) by the Capital Markets Board, which is responsible for regulating and supervising the corporate governance practices in Turkey. Teknosa has observed the interests of all the stakeholders, shareholders in particular, and continued its efforts to further its compliance with such mandatory principles in 2020.

Meanwhile, Teknosa has reached full compliance with 56 of 73 non-mandatory principles of the Communiqué, and partial compliance with eight of those principles, whereas compliance was not achieved with four non-mandatory principles. Operations falling under the remaining five principles have not been performed in 2020, and therefore compliance has not been evaluated for these principles that have been determined to be nonapplicable.

***2.1.*** Principles with which the Company has reached partial compliance are summarized below together with the reasons behind the lack of full compliance.

***1.3.10.*** *Policy on donations and aids shall be established and submitted to the approval of the general assembly. At the general assembly meeting, the information shall be provided under a separate item of the agenda on the donations and aids made throughout the period, together with their amount, beneficiaries, and policy changes, pursuant to the policy approved by the general assembly.*

Paying utmost attention to its social responsibilities, Teknosa makes all donations and aids in compliance with the Donation and Aid Policy approved by the General Assembly. Shareholders were updated on the amount of donations and aids made throughout the year under a separate agenda item; however, no explanation was provided with regards to the beneficiaries of these donations and aids.

***2.1.4.****Content and information on the Company's website are available in optional foreign languages with the same scope as the Turkish website.*

The efforts continue to provide the English versions of the information specified in Turkish on the website.

***3.1.2.*** *An effective and prompt compensation policy is in place in cases where stakeholders' rights protected by laws and contracts are violated. The Company provides guidance and convenience to stakeholders on the applicable laws and mechanisms available to them such as compensation. In addition, it establishes a compensation policy for employees and discloses the policy via the corporate website.*

# Corporate Governance and Sustainability Principles Compliance Report

It is a priority for Teknosa to protect all stakeholders' rights at all times and embrace a business model based on creating value together. Currently, no written compensation policy is in place for employees; however, the Company has faced no legal proceedings in this matter up to date.

***3.2.1.*** *Models to encourage employees' and stakeholders' participation in management shall be developed in a manner to not interfere with the Company's operations. Such models adopted by the Company shall be specified in the Company's internal regulations and Articles of Association.*

Employees' participation in management is ensured by organizing regular company meetings (at least twice a year), as well as at the annual goal-setting and performance evaluation meetings. Additionally, employees can provide their feedback to the management and to their colleagues through the 360-degree feedback mechanism. The results are reviewed at various management meetings, and action plans are devised in order to implement the necessary changes. However, the aforementioned matters are not governed by Teknosa's Articles of Association and/or internal regulations.

***4.4.7.*** *Members of the Board of Directors shall allocate sufficient time for the businesses of the Company. Where a board member holds an executive position, acts as a board member at another company, or provides consulting services for another company, it is essential for such board member to avoid any conflicts of interest and any interruption to his/her tasks at Teknosa. Within this scope, certain rules apply to or restrict the board member's assumption of roles and duties outside the company. Roles a board member assumes outside the company, the grounds for such role, and whether such role is assumed within or outside the group are presented to the information of the shareholders under the agenda item for elections during the general assembly meeting.*

Utmost attention is paid to board members to dedicate sufficient time for the Company's works and avoid any transaction that may lead to a conflict of interest in their activities outside the Company. However, board members' roles outside Teknosa are not governed or restricted by a written instrument. Accordingly, resumes of board members are provided to shareholders in annual reports.

***4.5.5.*** *It is important for a board member not to take part in more than one committee.*

Utmost attention is paid to the experience and expertise of independent members in the composition of committees. Due to the limited number of independent board members and obligations stipulated in the capital market regulations, however, members may be assigned to more than one committee.

***4.6.1.*** *The Board of Directors is responsible for the achievement of the Company's operational and financial performance goals as disclosed to the public. Evaluations as to whether the Company has reached publicly-known operational and financial performance goals, and if it has not, the reasons behind it, are provided in the annual report. The Board carries out the performance assessment with necessary self-criticism both at the level of the Board and executives with administrative responsibilities. Board members and executives with administrative responsibilities are either rewarded or released based on such assessment.*

The Board has carried out Teknosa's performance assessment but not explained this matter in the annual report.

***4.6.5.*** *Wages and other benefits granted to board members and executives with administrative responsibilities are disclosed to the public in the annual report. Disclosure on the basis of each such person is essential.*

Wages for the board members are determined by the General Assembly and therefore disclosed on the basis of each board member. Wages paid to senior executives are disclosed collectively, in the footnotes of our financial statements. Performance criteria were taken into account in the remuneration for executives which complies with remuneration policies. Such information is not disclosed on the basis of persons as it is confidential information.

***2.2.*** Principles which the Company has not complied with are summarized below with the grounds for such non-compliance.

***1.3.11.*** *General Assembly meetings may be held publicly, including stakeholders and the press with no right to ask for the floor, and a provision may be added to the Articles of Association on this matter.*

Due to the concerns on the health and safety of shareholders in relation to the Covid-19 pandemic, and for the purposes of ensuring effective time management, the General Assembly meeting was not held publicly.

***1.5.2.*** *Minority rights may be granted to those who hold less than one-twentieth of the capital pursuant to the Articles of Association. The scope of minority rights may be expanded subject to the Articles of Association.*

Minority rights are determined as per the provisions of the applicable legislation, and there is no specific provision on the expansion of minority rights in the Articles of Association.

***2.1.3.*** *Financial statements that require public disclosure as per the capital market legislation, except material events and footnotes, are disclosed in Turkish and English simultaneously on KAP (Public Disclosure Platform). English disclosures are prepared in a summary format accurately, thoroughly, directly, legibly, sufficiently, and consistently with the Turkish disclosure so as to assist the target group in their decisions.*

Although our material event disclosures are in Turkish, investor presentations and end-of-year annual reports are issued in English as well and made available on the website to inform our existing/potential foreign investors on the financial position and performance of the Company.

***4.3.9.*** *The Company set a minimum target of 25% for the ratio of female members on the Board and established a policy to reach this target. The composition of the Board is reviewed annually, and the nomination process is run in accordance with this policy.*

Although there is no target ratio in this matter, due care is taken to have female members on the Board.

***2.3.*** The following principles are determined to be non-applicable as no transaction falling under such scope was performed in 2020:

***1.3.7.*** *Persons who have the right to access shareholding information with privilege shall inform the Board of Directors for the inclusion of the transactions they performed in their own name coinciding with the Company's operating area into the agenda of the General Assembly.*

***1.4.3.*** *The Company has not exercised the voting rights at the General Assembly of a corporation with which it has a subsidiary relation that involves controlling rights.*

# Corporate Governance and Sustainability Principles Compliance Report

***4.4.3.*** *Opinions of those board members who did not attend the meeting but conveyed their opinion to the Board in writing are presented to other board members.*

***4.5.7.*** *Committees get the opinion of independent experts in matters they deem necessary with regard to their activities. The fees of the consulting services required by the Committees are covered by the Company. However, information on the persons/entities providing such services and/or whether such persons/entities have a relation with the company is explained in the annual report.*

***4.6.4.*** *The company is not entitled in any way to lend money, to extend any credits, to prolong the terms of existing loans and credits, to improve the conditions thereof, and to extend credit under the name of any personal credit means through a third person or to provide warranties to a member of the board or the executives with administrative responsibility. Only those institutions which offer personal credits to individuals may be entitled to offer loans or other services under the terms applied to every individual beneficiary.*

Teknosa's compliance status with the Corporate Governance Principles in 2020 is summarized in the table below:

| Status | Full Compliance | Partial Compliance | Non-Compliance | Non-applicable |
|---|---|---|---|---|
| Mandatory | 24 | - | - | - |
| Voluntary | 56 | 8 | 4 | 5 |
| Total | 80 | 8 | 4 | 5 |

In 2020, full compliance has not been reached with such voluntary principles due to the difficulties in their implementation, ongoing discussions in Turkey and on international platforms regarding their implementation, the contradiction between the Company's interests, and the implementation of such principles as per the practices of the Company and the market, and the negative developments caused by the Covid-19 pandemic. Thanks to the value and importance Teknosa attributes to corporate governance, developments on this matter are monitored closely, and efforts towards full compliance with these principles are ongoing at full speed.

The 2020 Corporate Governance Compliance Report (YRF) and Corporate Governance Information Form (KYBF), prepared pursuant to the Capital Markets Board's Decision no. 2/49 and dated January 10, 2019 and approved by our Company's Board of Directors are publicly accessible at https://www.kap.org.tr/tr/Bildirim/910217 and https://www.kap.org.tr/tr/Bildirim/910218.

### 3. Investor Relations Activities

In an attempt to assist investors and analysts in their decision-making processes as per applicable laws, Teknosa paid ultimate attention in 2020 to inform them as necessary, transparently, promptly, accurately, thoroughly, legibly, directly, sufficiently, regularly, and concurrently with all market participants, on the developments that might affect their investment decisions.

For this purpose, the Company regularly updated the Public Disclosure Platform (KAP) and the Investor Relations page on its official website www.teknosa.com. Continuous and best communication practices are pursued with investors and analysts. In 2020, the Company met with 10 existing/potential investors/analysts.

### 4. Monitoring Amendments to Laws and Legal Procedures

No amendment that could impact Teknosa's operations substantially was introduced to applicable laws in 2020. However, potential effects of the amendments to the Capital Markets Law, Turkish Commercial Code, and tax regulations on Teknosa as a whole were analyzed in detail.

Teknosa monitored legislative developments that pertained to it closely and took necessary action promptly in 2020, just as it did in previous years.

Last but not least, no lawsuit was filed against the Company that may impact the financial position or operations of Teknosa in 2020. In addition, no administrative or legal sanction on the grounds of practices contradictory with the provisions of applicable regulations was imposed against the legal entity of Teknosa, its Board Members, and the Senior Management.

## SECTION II - BOARD OF DIRECTORS

### 1. Structure and Composition of the Board of Directors

The procedures and principles concerning the company's Board of Directors' structure, duties, management rights, and representation authorities, etc. are decided upon in accordance with the provisions stipulated in the company's Articles of Association.

Teknosa is governed and represented by a Board of Directors that consists of at least six members elected by the General Assembly within the framework of the provisions of the Turkish Commercial Code and the Capital Markets Legislation. There are six members in the Teknosa Board of Directors in conformity with Article No. 4.3.1 of the Communiqué, and two independent members in conformity with the exception stipulated in the first paragraph of the 6th Article of the Communiqué.

Minimum qualifications of the Members of the Board of Directors are not specified in the Articles of Association. However, the required qualifications of the Members of the Company's Board of Directors are in line with the relevant articles of Corporate Governance Principles. Two members of the Board of Directors are independent members who are determined according to the Capital Markets Board's Corporate Governance Principles and regulations on Corporate Governance. Independent board members' independence statements have been received prior to the appointment and these statements remain in full force and effect. Within the related activity period, there are no issues that terminate the independence.

Term of office of Board Members may not exceed three years, after which they can be re-elected. In the event that a Board Member position becomes available, the Board elects a new member to fill the position and submits the elected member to the approval at the next General Meeting. The newly elected member completes the term of his/her predecessor.

On the basis of the General Meeting's resolution, Board members are authorized to perform transactions within the scope of Articles 395 and 396 of the Turkish Commercial Code.

### 2. Operating Principles of the Board of Directors

The Board of Directors convenes as frequently as required to efficiently fulfill its duties. The Board operates in a transparent, accountable, fair, and responsible manner, and while doing so it always considers the company's long-term interests.

Every year, the members of the Board of Directors elect a chairman and a vice-chairman who will be the acting chairman in the absence of the chairman for presiding the meetings. The Chairman of the Board of Directors determines the agenda of the Board of Directors' meetings by getting the opinions of the other members and the general manager. The agenda items of the Board of Directors' meetings are discussed explicitly and in every aspect. The Chairman of the Board shows the best effort to ensure the effective participation of the non-executive Board members in the Board meetings.

Meeting dates and agenda are determined by the chairman or vice-chairman.

The Board of Directors must convene at least four (4) times a year.

# Corporate Governance and Sustainability Principles Compliance Report

Unless one of the members requests a meeting that will be held physically, the decisions of the Board of Directors can be taken by means of getting the written approvals of the other members for another member's proposal regarding a certain issue.

The Board of Directors of the Company held four meetings between January 1 and December 31, 2020.

At the Board meetings, each member has one vote, and unanimous consent is sought while resolving matters, and the Board always complies with Corporate Governance Principles. Attendance in person of the members without an excuse at the meetings was ensured. In 2020, no dissenting opinion was expressed on the decisions passed by the Board Members and no explanation thereof was affixed to the minutes of the meeting. Since Board Members did not have any questions and requested no additional information, these were not inserted in the minutes of the meeting.

In 2020, Board Members neither engaged in any business with the Company nor attempted to go into any business that would fall within the Company's scope of operations.

### 3. Number, Structure, and Independence of the Committees Formed Under the Board

According to the Company's Articles of Association, the Board of Directors establishes a sufficient number of Committees ("Committee") to fulfill the required tasks and responsibilities properly.

The responsibilities of the "Nomination Committee" and "Remuneration Committee" as per article 4.5.1 of the Communiqué have been assumed by the "Corporate Governance Committee." Although attention was paid to the recommendation on "not taking part in more than one committee for a board member" under Article 4.5.5 of the Communiqué, a Board Member may serve multiple committees as a member due to the expertise required for such committees.

**Corporate Governance Committee**

The Corporate Governance Committee aims to ensure the continuity of the management process that pursues transparency and accountability in its decisions, observes stakeholders' interests, and strives for sustainable achievements on the basis of the Company's ethical values, internal and external responsibilities, and risk awareness.

The Committee makes proposals and recommendations for the Board of Directors in line with the CMB's Corporate Governance Principles and other internationally-recognized corporate governance principles.

As per the Corporate Governance Principles, the Corporate Governance Committee consists of up to three members, including a Chairperson appointed by the Board, and two rapporteurs. The Chairperson is appointed from among the independent members of the Board of Directors.

Should the position of Chairperson of the Committee become vacant for any reason, the Chairman of the Board assigns one of the Committee Members as a temporary Chair until the new Chair is appointed at the next Board meeting.

The Corporate Governance Committee ensures the implementation of the Corporate Governance Principles in the Company, and in the case of failure to implement such principles, it makes suggestions to the Board of Directors for the improvement thereof. The Committee also oversees the activities of the Investor Relations Department. It evaluates the performance and principles of remuneration for Board Members and Senior Executives and examines and presents to the Board the nominations of independent members, including the nominees proposed by the management and shareholders, and their qualifications for independence. In accordance with the legislation, the Independent Members of the Board of Directors present their independence statements in writing to the Corporate Governance Committee at the time they are nominated.

The Committee, which shall convene at least four times a year pursuant to the bylaws, convened four times in 2020.

The members of the Corporate Governance Committee determined in accordance with the decision of the Board of Directors of the company are as follows:

| Name and Surname | Position | The Nature of Membership/Duty at the Board |
|---|---|---|
| Mevlüt Aydemir | Committee Chair | Independent Board Member |
| Mehmet Kahya | Committee Member | Independent Board Member |
| Ümit Kocagil | Committee Member | Assistant General Manager - Finance |

**Early Detection of Risk Committee**

Early Detection of Risk Committee was established in accordance with Article 378 of the Turkish Commercial Code (Law no. 6102) and the provisions of the Capital Markets Board's Communiqué on the Corporate Governance Principles.

The Committee performs activities for the purposes of early detection of any risk such as strategic, operational, financial, compliance, etc. that may jeopardize the existence, development, and continuity of the company, taking necessary measures, implementing solutions, and managing the risk.

The Committee members are elected by the Company's Board of Directors and are disclosed to the public. The Chair of the Committee is appointed from among the independent members by the Board of Directors. In addition to the Chairperson, there is a maximum of one Member elected by the Board in the Committee. The Committee members are preferably elected from among the non-executive Members of the Board of Directors.

Committee meetings are held at least six times a year, at a location deemed appropriate by the Chair. The annual meeting schedule is determined by the Chair of the Committee and communicated to all committee members at the beginning of each year.

The term of office of the Committee members is in parallel to the term of office of the Members of the Company's Board of Directors. The Committee is re-established upon the election of the Members of the Board of Directors.

The Early Detection of Risk Committee convened 6 times in 2020.

| Name and Surname | Position | The Nature of Membership/Duty at the Board |
|---|---|---|
| Mehmet Kahya | Committee Chair | Independent Board Member |
| Mevlüt Aydemir | Committee Member | Independent Board Member |

**Audit Committee**

The duty of the Audit Committee is to oversee the Company's accounting system, financial reporting, disclosure of financial statements, and the functioning and effectiveness of the independent auditing and internal control system on behalf of the Company's Board of Directors. The Audit Committee reports its activities, evaluations, and suggestions with respect to its duties and area of responsibility to the Board of Directors in writing.

The Chair and the Members of the Audit Committee are appointed by the Board of Directors from among the Independent Members.

The Audit Committee held 4 meetings in 2020 and the main agenda items were the review of the independent audit report and examination of the presentations of the Internal Audit Department.

The members of the Audit Committee determined in accordance with the decision of the Board of Directors of the company are as follows:

| Name and Surname | Position | The Nature of Membership/Duty at the Board |
|---|---|---|
| Mehmet Kahya | Committee Chair | Independent Board Member |
| Mevlüt Aydemir | Committee Member | Independent Board Member |

# Corporate Governance and Sustainability Principles Compliance Report

## 4. Risk Management and Internal Control Mechanism

Teknosa embraces the notion that each risk brings along an opportunity, and recognizes that "sustainable growth" can be achieved by effectively identifying, measuring, and managing risks. The Company places great importance on risk management in order to "create value for its stakeholders," which is a crucial part of its mission.

At Teknosa, the risk is seen as a concept that incorporates opportunities as well as threats and corporate risk management is handled as a continuous and systematic process to manage these risks most efficiently. Efforts are undertaken towards the Company-wide promotion and adoption of the risk culture, while it is ensured that the right activity is carried out taking the right amount of risk.

The risk exposure of the Company is tracked through the Key Risk Indicators (KRI) in place. These indicators are continuously monitored and periodically reported. The Company takes necessary action to manage the risks indicated by the Key Risk Indicators.

The Risk Management Policy at Teknosa serves to define, assess, prioritize, monitor, and report the potential risks involved in Teknosa's operations, and also governs the procedures and principles which will be adhered to during the process of defining and implementing the necessary measures and strategies against such risks. Risk management is conducted by the Early Detection of Risk Committee ("Committee") on behalf of the Board of Directors.

In 2020, Teknosa continued to create value for shareholders and delivered a sustainable growth performance owing to the importance it attributes to risk management.

Similarly, the Company has an Internal Control Mechanism in place. Upon the formation of the Audit Committee, this mechanism effectively carries out the duties assigned by the Board of Directors in compliance with the existing bylaws of the Audit Committee.

## 5. The Company's Strategic Goals

Having determined the vision and the mission of the company, the Board of Directors incorporated them in writing in the Annual Report and announced to the public on the company's website, www.teknosa.com, and the Company's long-term strategies are built on these principles.

The Board of Directors, together with the CEO and Assistant General Managers, sets three-year strategic goals which are updated each year. Whether the Company achieves its targets or not is monitored via monthly prepared manager reports. Year-end performance assessments are based on whether the Company achieves its targets or not.

## 6. Remuneration for the Board of Directors

The terms and conditions of any right, fee, and benefit granted to the company's Board Members are laid down in detail in the Articles of Association. The attendance fees paid to the Chairman and the Board Members are determined at the General Assembly Meeting. The payments made to the senior executives are disclosed to the public in the footnotes of our financial statements.

In 2020, the Company did not lend any money or give out any loans to Board Members; did not extend the due date or improve the terms and conditions of existing debts or loans; did not grant any individual loans via third persons, or did not offer surety guarantees.

## SECTION III - SUSTAINABILITY

### 1. Sustainability Approach

Teknosa places the utmost importance on sustainability and assesses the potential impact of its operations on sustainability. After Sabancı Holding re-set its priorities in a number of areas including the environment and society in 2020, Teknosa followed suit and established its sustainability targets accordingly.

### 2. Sustainability Principles Compliance Status

Teknosa targets 100% compliance with the Sustainability Principles Compliance Framework established as per the amendment dated October 2, 2020, to the Capital Markets Board's Corporate Governance Communique. Therefore, the Company plans to continue efforts towards furthering its compliance with such mandatory principles, observing the interests of all stakeholders, first and foremost shareholders, in 2021. A world-class sustainability compliance standard has been adopted in Turkey thanks to the Sustainability Principles Compliance Framework established by the Capital Markets Board for the first time in 2020.

Teknosa's compliance status with the Sustainability Principles in 2020 is summarized in the table below:

| Type | Full Compliance | Partial Compliance | Non-Compliance | Non-applicable |
|---|---|---|---|---|
| General | 4 | 4 | 3 | 1 |
| Environment | 6 | 16 | 1 | 3 |
| Social | 6 | 7 | 2 | 1 |
| Governance | 5 | 1 | - | - |
| **Total** | **21** | **28** | **6** | **5** |

The Sustainability Principles Compliance Report, which demonstrates the Company's compliance with the CMB's Sustainability Principles Compliance Framework, is available online at https://yatirimci.teknosa.com/surdurebilirlik.

# Statement of Independence

With respect to laws, articles of association and the criteria defined by Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, I am nominated to serve on the Board of Directors of Teknosa İç ve Dış Ticaret A.Ş. (the Company) as an Independent Board Member, and therefore I agree and undertake that I:

a) do not have a relationship in terms of employment at an administrative level to take on significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation (according to the Turkish Accounting Standards - TMS 28) between the Company, companies in which the Company hold control of management (as per the "TFRS 10" Standard) or significant effect (as per the TMS 28) and shareholders who hold control of the management of the Company or have a significant effect (TMS 28) in the Company and legal entities in which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree;

b) have not been a shareholder (5% and more), an employee at an administrative level to take on significant duty and responsibilities, or a board member within the last five years in companies from and to which the Company purchases or sells goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the Company, at the time period when the Company purchases or sells services or goods;

c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member;

d) do not serve/will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at a university provided it is in compliance with the relevant legislation;

e) am residing in Turkey in accordance with the Income Tax Law dated 31.12.1960 and numbered 193;

f) am capable to contribute positively to the operations of the Company, maintain my impartiality in conflicts of interest between the Company and the shareholders, have strong ethical standards, professional reputation, and experience to freely take decisions by considering the rights of the stakeholders;

g) am able to allocate time for the Company's business in order to follow up the activities of the Company and duly fulfill the assigned duties;

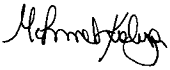
h) have not been a member of the Company's Board of Directors for more than a term of six years in the last ten years;

i) am not the independent member of the board of directors in more than three of the corporations as such; the Company or the controlling shareholders of the Company who hold the control over the management of the corporations; and in more than five corporations in total which are admitted to trading on the stock exchange;

j) I have not been registered and announced as a Board member representing a legal entity.

I hereby declare the above-mentioned matters.

I hereby present my statement to the knowledge of the Board Members, General Assembly, our shareholders, and all stakeholders.



Mehmet Kahya

# Statement of Independence

With respect to laws, articles of association and the criteria defined by Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, I am nominated to serve on the Board of Directors of Teknosa İç ve Dış Ticaret A.Ş. (the Company) as an Independent Board Member, and therefore I agree and undertake that I:

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b) have not been a shareholder (5% and more), an employee at an administrative level to take on significant duty and responsibilities, or a board member within the last five years in companies from and to which the Company purchases or sells goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the Company, at the time period when the Company purchases or sells services or goods;

c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member;

d) do not serve/will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at a university provided it is in compliance with the relevant legislation;

e) am residing in Turkey in accordance with the Income Tax Law dated 31.12.1960 and numbered 193;

f) am capable to contribute positively to the operations of the Company, maintain my impartiality in conflicts of interest between the Company and the shareholders, have strong ethical standards, professional reputation, and experience to freely take decisions by considering the rights of the stakeholders;

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h) have not been a member of the Company's Board of Directors for more than a term of six years in the last ten years;

i) am not the independent member of the board of directors in more than three of the corporations as such; the Company or the controlling shareholders of the Company who hold the control over the management of the corporations; and in more than five corporations in total which are admitted to trading on the stock exchange;

j) I have not been registered and announced as a Board member representing a legal entity.

I hereby declare the above-mentioned matters.

I hereby present my statement to the knowledge of the Board Members, General Assembly, our shareholders, and all stakeholders.

Mevlüt Aydemir

# Profit Distribution Table

| DIVIDEND DISTRIBUTION TABLE OF TEKNOSA İÇ VE DIŞ TİCARET A.Ş. FOR 2020 (TL) | | | |
|---|---|---|---|
| PAID-IN/ISSUED CAPITAL | | | 110,000,000.00 |
| 2. General Legal Reserves (according to legal records) | | | 8,704,007.41 |
| Information on privileges in dividend distribution, if stipulated in the Articles of Association | | | None |
| | | As Per Capital Markets Board | As Per Statutory Records (SR) |
| 3. | Profit for the Period | 111,207,969.17 | 124,616,333.41 |
| 4. | Taxes (-) | 25,912,156.37 | 0 |
| 5. | Net Profit for the Period (=) | 85,295,812.80 | 124,616,333.41 |
| 6. | Losses from Previous Years (-) | -385,722,050.90 | -480,764,691.40 |
| 7. | General Legal Reserves (-) | 0.00 | 0.00 |
| 8. | NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=) | 0.00 | 0.00 |
| 9. | Donations Made within the Year (+) | 64,036.09 | 0 |
| 10. | Net Distributable Profit for the Period incl. Donations | 0 | 0 |
| 11. | Primary Dividends for Shareholders | 0 | 0 |
| | -Cash | 0 | 0 |
| | -Non-Paid Up | 0 | 0 |
| | -Total | 0 | 0 |
| 12. | Dividends Distributed to Shareholders with Privileged Shares | 0 | 0 |
| 13. | Other Dividends Distributed | 0 | 0 |
| | -To Board Members, | 0 | 0 |
| | -To Employees, | 0 | 0 |
| | -To Persons other than Shareholders, | 0 | 0 |
| 14. | Dividends Distributed to Holders of Redeemed Shares | 0 | 0 |
| 15. | Secondary Dividends for Shareholders | 0 | 0 |
| 16. | General Legal Reserves | 0 | 0 |
| 17. | Statutory Reserves | 0 | 0 |
| 18. | Special Reserves | 0 | 0 |
| 19. | EXTRAORDINARY RESERVES | 0 | 0 |
| 20. | Other Distributable Resources | | 0 |
| | - Retained Earnings | 0 | 0 |
| | - Extraordinary Reserves | 0 | 0 |
| | - Other Distributable Reserves as per Law and Articles of Association | 0 | 0 |

| DIVIDEND RATIOS TABLE | | | | | |
|---|---|---|---|---|---|
| | TOTAL DISTRIBUTED DIVIDENDS | | TOTAL DISTRIBUTED DIVIDENDS/NET DISTRIBUTABLE PERIOD PROFIT | DIVIDEND CORRESPONDING TO A SHARE WITH A NOMINAL VALUE OF TL 1 | |
| | CASH (TL) | NON-PAID UP (TL) | RATE (%) | AMOUNT (TL) | RATE (%) |
| GROSS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| NET | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

## DETERMINING THE MEANS THROUGH WHICH PROFIT/LOSS FOR THE PERIOD WILL BE USED

Upon the Board decision dated February 25, 2021:

A "Profit for the Period" of TL 85,295,812,80 was accrued as per our financial statements for the accounting period from 01.01.2020 to 31.12.2020, prepared by our Company in accordance with the CMB's Communiqué Series: II No:14.1 on "Principles Regarding Financial Reporting in Capital Markets" and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., whereas a Profit for the Period of TL 124,616,333.41 was accrued as per the income statement issued pursuant to the provisions of Tax Procedure Law.

Considering that only a portion of the previous years' losses can be a deduction item when calculating the net distributable profit for the period, according to the CMB regulations; and that such portion shall be the amount exceeding the total of the following: i) retained earnings, ii) general legal reserves including the premium on shares, iii) inflation adjustment made for the accounts under shareholders' equity, excluding capital; attendees unanimously decided to:

a) not distribute profits due to the fact that a loss of TL 385,722,050.90 for the previous years was accrued in our Company's financial statements issued as per the Communique, and no basis for distributable profit was found after the adjustment;
b) to set off the profit for the period in 2020 from such losses for the previous years;
c) to present this proposal to the approval of our shareholders at the Ordinary General Assembly Meeting to be held on March 29, 2021.

# Auditor’s Report on the Early Detection of Risk System and Committee

To the General Assembly of TeknoSA İç ve Dış Ticaret Anonim Şirketi

We have audited the Early Detection of Risk System and Committee established by Teknosa İç ve Dış Ticaret Anonim Şirketi (“the Company”).

**Responsibility of the Board of Directors**

Pursuant to subparagraph 1 of Article 378 of the Turkish Commercial Code (“TTK”) No. 6102, the Board of Directors is responsible for establishing, running, and developing a committee whereby the risks jeopardizing the company’s existence, development, and continuity are identified proactively; actions and measures are taken to prevent such risks, and keeping such risks under control.

**Auditor’s Responsibility**

Our responsibility is to reach a conclusion regarding the early detection of risk system and committee based on the audit we conducted. We conducted the audit in accordance with the Turkish Commercial Code, ethical rules, and the “Principles regarding Auditor Reports on the Early Detection of Risk System and Committee,” as issued by the Public Oversight, Accounting and Auditing Standards Authority. As per such principles, we are required to determine whether the Company established an early detection of risk system and committee and if there is any, whether such system and committee function in compliance with Article 378 of the Turkish Commercial Code. The scope of our audit does not include the determination of the appropriateness of the measures taken by the committee against such risks, and the practices undertaken by the management in the face of risks.

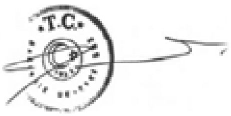
**Information on the Early Detection of Risk System and Committee**

The Early Detection and Management of Risk Committee (“Committee”) is intended to conduct activities aimed at detecting the risks likely to jeopardize the Company’s existence, development, and continuity, implementing the measures necessary for the risks identified and managing aforementioned risks. The Committee is composed of two members, one being the Chairman. The Committee convened six times for the evaluations on 2020 and presented the reports it issued to the Board of Directors.

**Conclusion**

As a result of the audit we conducted, it was concluded that the early detection of risk system and committee of Teknosa İç ve Dış Ticaret Anonim Şirketi is sufficient in all material aspects as per Article 378 of the Turkish Commercial Code.

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




Ruşen Fikret Selamet, SMMM
Partner
February 16, 2021
Istanbul, Turkey

# Independent Auditor's Report Regarding the Annual Report

## INDEPENDENT AUDITOR'S REPORT REGARDING THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of TeknoSA İç ve Dış Ticaret Anonim Şirketi

### Opinion

We audited the full set of financial statements and the annual report of Teknosa İç ve Dış Ticaret Anonim Şirketi ("the Company") for the accounting period from 1 January 2020 to 31 December 2020.

In our opinion, the financial information included in the annual report and the Board of Directors' analyses about the position of the Company, based on the information in the audited financial statements, are consistent in all material respects, with the audited complete set of financial statements and information obtained during the independent audit, and provides a fair presentation.

### Basis for Opinion

We conducted our independent audit in accordance with the standards on independent audit issued by the Capital Markets Board ("CMB") and with the Standards on Independent Audit ("SIA"), which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting, and Auditing Standards Authority ("POA"). Our responsibilities under those Standards are further described in the Independent Auditor's Responsibilities Regarding the Independent Audit of the Annual Report section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Independent Auditors issued by POA ("Code of Ethics") and the ethical requirements in relevant regulations that are relevant to independent audit. We have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the independent audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Auditor's Opinion on the Complete Set of Financial Statements

We have expressed an unqualified opinion in the auditor's report dated February 16, 2021, on the full set of financial statements of the Company for the period 1 January 2020 to 31 December 2020.

### Board of Directors' Responsibility for the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and CMB's Communiqué Series: II No:14.1 on "Principles Regarding Financial Reporting in Capital Markets," the Company's management is responsible for the following regarding the annual report:

a) The Company's management prepares its annual report within the first three months following the date of the statement of financial position and submits it to the general meeting.
b) The Company's management prepares its annual report in such a way that it presents accurately, completely, directly, truly, and fairly the flow of annual operations and financial position of the Company in that year. In this report, the financial position of the Company is assessed in accordance with the Company's financial statements. The annual report shall also clearly state the details about the Company's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.
c) The annual report also includes:
- Significant events which occurred after the reporting period,
- The Company's research and development activities.
- Employee benefits such as wages, premiums, and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and cash facilities, insurance, and similar guarantees.

When preparing the annual report, the board of directors also considers the related regulations issued by the Ministry of Trade and related institutions.

### Independent Auditor's Responsibility for the Independent Audit of the Annual Report

Our objective is to express an opinion on whether the financial information included in the annual report and the Board of Directors' analyses in relation to the position of the Company based on the information available in the audited financial statements are consistent with the audited financial statements of the Company and the information obtained during the independent audit and give a true and fair view and form a report that includes this opinion in accordance with the provisions of TCC and the Communique.

We conducted our independent audit in accordance with the standards on independent audit issued by the Capital Markets Board and with the Standards on Independent Audit ("SIA"). Those standards are required for compliance with ethical requirements and the planning of the independent audit to obtain reasonable assurance on whether the financial information included in the annual report and the Board of Directors' analyses for the position of the Company based on the information available in the audited financial statements are consistent with the financial statements and the information obtained during the audit and provides a fair representation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

T.C.

Ruşen Fikret Selamet, SMMM
Partner
February 16, 2021
Istanbul, Turkey

# Teknosa İç ve Dış Ticaret Anonim Şirketi

## Convenience Translation into English of Financial Statements for the Year Ended 31 December 2020 with Independent Auditor's Report

(Originally issued in Turkish)

16 February 2021

This report includes 7 pages of independent auditor's report and 77 pages of financial statements and notes to the financial statements.

KPMG Bagımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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# INDEPENDENT AUDITOR'S REPORT

To the Shareholder's of Teknosa İç ve Dış Ticaret Anonim Şirketi

## A) Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Teknosa İç ve Dış Ticaret Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

### *Basis for Opinion*

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

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

### *Revenue recognition*

Refer to Note 2.4 to the financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Company's revenue is primarily generated from retail sales of consumer electronics through its stores and website and air conditioners and white goods through its dealers. Besides, the Company also generates revenue from its suppliers such as turnover premium and similar income items.<br><br>The accuracy of retail sales revenue recognized in the financial statements is an inherent industry risk because there is processing of large volumes of data.<br><br>The Company's income generated from its suppliers are based on the trade agreements with suppliers and the contents of these agreements consist of commitments to purchase amounts, promotions and marketing activities, and various types of discounts. These commitments can vary depending on the turnover and for the sum of purchases made during that period or for certain products within those purchases as of periods.Turnover premiums are recognized in proportion to the realization of the transactions agreed with the Company's suppliers.<br><br>Therefore, the Company's retail sales revenues and revenues from its suppliers has been the focus area in audit. | We have performed the following audit procedures to be responsive to retail sales revenue:<br><br>- Assesing the compliance of the Company's accounting policy with TFRS 15 for the revenue recognition and the adequacy of the explanations regarding the elements from which the Company generates revenue.<br>- Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the below controls;<br>• Key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls; and<br>• Internal IT controls over the completeness and accuracy of pricing and billing process and the end-to-end reconciliation controls from pricing and billing process to the accounting system.<br>- Testing the integration of IT infrastructure of cashier system and accounting system<br>- Testing the end-to-end reconciliations from data records to the billing systems and to the general ledger<br>- Substantive testing on a sample of non-systematic adjustments which are outside of the normal billing process and therefore carry higher levels of management judgment.<br>- Verification of the cash obtained from retail sales that pass through the cash registers throughout the year from the relevant bank documents and reconcile with the accounted turnover.<br>- Testing, on a sample basis, sales returns accepted subsequent to the year end in order to assess whether the sales returns are properly accounted for in the appropriate financial period.<br>- Assessing the high risk journal entries that the company has accounted during the year.<br><br>We have performed the following audit procedures to be responsive to revenue generated from suppliers:<br><br>- Review of correspondence with suppliers and end-to-end reconciliation checks between the internal IT controls and pricing and billing systems and accounting systems in relation to the completeness and accuracy of pricing and billing for purchases to ensure that turnover premiums income received from suppliers are accounted for in accordance with the terms of the relevant contracts in the correct period and in the correct amount<br>- Controlling the realization of turnover premiums income (completion of invoice procedures) recognized as accruals in the following period<br>- Testing of current accounts of suppliers in which significant portion of turnover premiums income is obtained, by means of external confirmation. |

*Recoverability of deferred tax assets*

Refer to Note 2.4,Note 2.5 and Note 25 to the financial statements for summary of significant accounting policies and significant accounting estimates for valuation of deferred tax assets.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As of the year ended 31 December 2020, the Company calculated deferred tax assets for deductible temporary differences and unused financial losses of the previous year.<br><br>Additionally, the Company has recognized deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable.<br><br>The recoverability of recognized deferred tax assets is dependent on the Company's ability to generate future taxable profits sufficient to utilize deductible temporary differences and tax losses (before latter expire).<br><br>We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences. Significant judgment is required in relation to the recognition and recoverability of deferred tax assets. | We have performed the following audit procedures to be responsive to this area:<br><br>- Assessing and challenging the assumptions and judgments exercised by management in respect of the forecasts of future taxable profits by analyzing the assumptions adopted by management;<br>- Reconciliation of the estimates and assumptions used in the future business plans which has been approved by the Board of Directors;<br>- Considering the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year and assessing whether there were any indicators of management bias in the selection of key assumptions;<br>- Considering the impact of recent regulatory developments, where applicable and relevant;<br>- Reconciling tax losses and expiry dates to tax statements; and<br>- Evaluation of the adequacy of disclosures which is included in the financial statements for the application of the judgments used in the estimation of deferred tax assets that are recognized or not recognized in the financial statements of the Company, whether properly reflects the deferred tax position in accordance with TFRSs. |

## *Application of TFRS 16 Leases*

Refer to Note 2.4 to financial statements for summary of significant accounting policies for the application of TFRS 16 Leases.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Company has several lease agreements including stores, warehouses, vehicles and headquarters building. As of 31 December 2020, 219.710 thousand TL right of use asset has been recorded in the financial statements.( 31 December 2019 321.898 thousand TL). The share of the right of use assets within the total current assets is 56%.(31 December 2019 %62). As of 31 December 2020, the Company has recognized a liability of 266.406 thousand TL (31 December 2019: 357.638 thousand TL) based on the lease agreements.<br><br>Significant judgement is required in the assumptions and estimates made in order to measure the right of use asset and liability and determine right of use asset components, lease payments and appropriate discount rates.<br><br>Applying the TFRS 16 is material to the Companys's financial statements and this is a key focus area in our audit.<br><br>Since the lease contracts can be complex, "Application of TFRS 16" has been identified as one of the key audit matters, since it will require significant judgment by the management when determining the accounting basis specific to each situation. | Our audit procedures to assess financial position included the following:<br><br>- Selected sample lease agreements signed between the Company and the lessor were examined. Those agreements have been evaluated within the scope of TFRS 16 and relevant scope criteria have been checked;<br>- Through our discussions with the Company Management, understanding the Company's process in identifying lease contracts, or contracts contained leases;<br>- Examining contracts with sampling method to evaluate appropriateness of the terms of contracts to agree whether underlying asset is low value and leases with a term of less than 12 months determined by the Company;<br>- The net present value calculations of future lease payments have been checked within the scope of TFRS 16 for leases with fixed rental and minimum warranty payment terms. According to the contracts selected through sampling, rent increase rates were evaluated and compared with the payment plan used in the calculation..<br>- The discount rates used according to the terms and foreign currency types of the contracts covered were examined.<br>- We obtained the Companys's quantification of ROU assets and lease liabilities. For a sample of leases. we agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discount rate applied, and performed recalculation checks.<br>- We assessed the appropriateness of Companys's accounting policies for ROU assets and lease liabilities in accordance with TFRS 16 and the appropriateness of the associated disclosures in the financial statements. |

***Financial position – Identification of whether the company's capital is unrequited or not, or whether the capital is running into debt***

Refer to Note 2.5 to the financial statements for significant accounting assessments for the determination of adequacy of financial position.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Company has certain obligations which has key determinants in relation to going concern regulated by the Turkish Commercial Code ("TCC") numbered 6102.<br><br>The Company recognised net profit amounting to TL 85.296 for the year ended 31 December 2020. As at 31 December 2020, accumulated losses are amounting to TL 401.054. As at 31 December 2020, negative equity of the Company which includes the prior years' losses is amounting to TL 165.546.<br><br>The Ministry of Commerce published in the Official Gazette dated December 26, 2020 and numbered 31346, "Communiqué on the amendment of the communiqué on the procedures and principles regarding the implementation of the 376th article of the Turkish Commercial Code numbered 6102" and significant changes have been made in the communiqué in force.<br><br>In accordance with this amendment; Until 1 January 2023, within the scope of the 376th article of the Turkish Commercial Code numbered 6102, in the calculations regarding the loss of capital or being in debt all of the foreign exchange losses arising from foreign currency liabilities that have not yet been fulfilled, and half of the sum of lease expenses, depreciation and personnel expenses incurred for 2020 and 2021 may not be taken into account. While determining these amounts, calculations should be made without any duplications and prepared financial statements should not include any records regarding these calculations and this situation should be presented on the footnotes for informative purposes.<br><br>After this amendment, the company has made evaluations of loss of capital and being in debt within the scope of the 376th article of the Turkish Commercial Code.<br><br>In the assessment made, it was determined that the company's equity was above the limits of (+) 78.299 TL as per the CMB's principle decision numbered 2014/11 and article 376 of the TCC.<br><br>Since it is important to reconcile the amounts reached as a result of the calculations made in accordance with the aforementioned communiqué and the amounts in the accompanying financial statements, this area has been identified as one of the key audit issues. | Our audit procedures to assess financial position included the following:<br><br>- The accuracy and completeness of the amounts used in the calculation made by the Ministry of Commerce in accordance with the "Communiqué on the amendment of the communiqué on the procedures and principles regarding the application of Article 376 of the Turkish Commercial Code numbered 6102" in the Official Gazette dated 26 December 2020 and numbered 31346 by the company management has been checked and a reconciliation has been made with the accompanying financial statements..<br><br>- The adequacy and appropriateness of the statements made by the Company management in accordance with the said communiqué have been evaluated. |

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Responsibilities of auditors in an audit are as follows:

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 level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 16 February 2021.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2020 and 31 December 2020, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

T.C.

Ruşen Fikret Selamet, SMMM
Partner
16 February 2021
İstanbul, Turkey

# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS
## AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

*(Amounts expressed in thousands of TL unless otherwise indicated.)*

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# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2020

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

| | | Current period | Prior period |
|---|---|---|---|
| | | *Audited* | *Audited* |
| | Notes | 31 December 2020 | 31 December 2019 |
| **ASSETS** | | | |
| **Current assets** | | **1.565.441** | **994.466** |
| Cash and cash equivalents | 5 | 392.201 | 37.267 |
| Trade receivables | 7 | 103.297 | 66.362 |
| *Trade receivables from related parties* | *4,7* | *14.883* | *677* |
| *Trade receivables from third parties* | *7* | *88.414* | *65.685* |
| Inventories | 9 | 1.056.528 | 860.128 |
| Prepaid expenses | 10 | 8.468 | 5.817 |
| Other current assets | 18 | 4.947 | 24.892 |
| **Non-current assets** | | **395.209** | **518.110** |
| Other receivables | 8 | 571 | 496 |
| Investment property | 12 | 29.610 | 29.222 |
| Right of use assets | 11 | 219.710 | 321.898 |
| Property, plant and equipment | 13 | 60.462 | 59.737 |
| Intangible assets | 14 | 39.642 | 35.813 |
| Prepaid expenses | 10 | 49 | 27 |
| Deferred tax assets | 25 | 45.165 | 70.917 |
| **TOTAL ASSETS** | | **1.960.650** | **1.512.576** |

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

# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

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

| | Notes | Current period<br>*Audited*<br>31 December 2020 | Prior period<br>*Audited*<br>31 December 2019 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | **1.943.979** | **1.481.539** |
| Financial Liabilities | 6 | 370.058 | 105.521 |
| Short portion of long-term rent liabilities | | 98.406 | 84.720 |
| *Short portion of long-term rent liabilities to related parties* | *4* | *1.392* | *980* |
| *Short portion of long-term rent liabilities to third parties* | | *97.014* | *83.740* |
| Trade payables | 7 | 1.386.364 | 1.232.640 |
| *Trade payables to related parties* | *4* | *6.578* | *5.475* |
| *Trade payables to third parties* | *7* | *1.379.786* | *1.227.165* |
| Payables related to employee benefits | 15 | 14.058 | 17.931 |
| Other payables | 8 | 2.913 | 2.349 |
| *Other payables to third parties* | | *2.913* | *2.349* |
| Deferred revenue | 10 | 23.713 | 14.928 |
| Short-term provisions | | 28.921 | 20.668 |
| *Short-term provisions for employee benefits* | *15* | *18.966* | *10.169* |
| *Other short-term provisions* | *16* | *9.955* | *10.499* |
| Other current liabilities | 18 | 19.546 | 2.782 |
| | | | |
| **Non-current liabilities** | | **182.217** | **282.889** |
| Long-term rent liabilities | | 168.000 | 272.918 |
| *Long-term rent liabilities to related parties* | *4* | *2.347* | *3.297* |
| *Long-term rent liabilities to third parties* | | *165.653* | *269.621* |
| Long-term provisions for employee benefits | 15 | 14.217 | 9.971 |
| | | | |
| **EQUITY** | | **(165.546)** | **(251.852)** |
| Share capital | 19 | 110.000 | 110.000 |
| Adjustments to share capital | 19 | 6.628 | 6.628 |
| Restricted reserves | 19 | 8.704 | 8.704 |
| Other reserves | | 3 | 3 |
| Other comprehensive income or expense items that will not be reclassified to profit or loss | | 24.877 | 23.867 |
| *Gains on revaluation of property, plant and equipment* | *19* | *31.121* | *28.149* |
| *Losses on remeasurement of defined benefit plans* | *19* | *(6.244)* | *(4.282)* |
| Accumulated losses | | (401.054) | (252.420) |
| Net profit / (loss) for the period | | 85.296 | (148.634) |
| **TOTAL LIABILITES** | | **1.960.650** | **1.512.576** |

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

# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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

| | | Current period | Prior period |
|---|---|---|---|
| | Notes | 1 January-<br>31 December 2020 | 1 January-<br>31 December 2019 |
| Revenue | 20 | 5.606.519 | 4.136.971 |
| Cost of revenue (-) | 20 | (4.675.836) | (3.422.374) |
| **GROSS PROFIT** | | **930.683** | **714.597** |
| Marketing expenses (-) | 21 | (512.128) | (482.266) |
| General administrative expenses (-) | 21 | (66.910) | (57.110) |
| Other income from operating activities | 22 | 72.470 | 39.286 |
| Other expenses from operating activities (-) | 22 | (114.337) | (172.928) |
| **RESULTS FROM OPERATING ACTIVITIES** | | **309.778** | **41.579** |
| Income from investing activities | 23 | 12.457 | 1.724 |
| Expenses from investing activities (-) | 23 | (2.898) | (8.964) |
| Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9 | | (273) | 2.562 |
| | | | |
| **OPERATING PROFIT BEFORE FINANCE COSTS** | | **319.064** | **36.901** |
| Finance costs (-) | 24 | (214.737) | (215.549) |
| Finance income | 24 | 6.881 | 761 |
| **OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX** | | **111.208** | **(177.887)** |
| | | | |
| **Tax (expense)/income** | | **(25.912)** | **29.253** |
| - Deferred tax (expense)/income | 25 | (25.912) | 29.253 |
| **PROFIT/(LOSS) FOR THE PERIOD** | | **85.296** | **(148.634)** |
| **Attributable to:** | | | |
| Non-controlling interests | | -- | -- |
| Owners of the Company | | 85.296 | (148.634) |
| | | | |
| **OTHER COMPREHENSIVE INCOME / (EXPENSE)** | | | |
| **Items that will not be reclassified to profit or loss** | | **1.010** | **(141)** |
| *Gains/(losses) on remeasurement of defined benefit plans* | | *(2.452)* | *(1.351)* |
| *Gains on revaluation of property, plant and equipment* | | *3.302* | *1.044* |
| *Income tax related to items that will not be reclassified to profit or loss* | *25* | *160* | *166* |
| | | | |
| **TOTAL COMPREHENSIVE INCOME / (EXPENSE)** | | **86.306** | **(148.775)** |
| | | | |
| **Earnings/(loss) per share [(For 1 lot share)]** | **26** | **0,7846** | **(1,3525)** |
| | | | |
| **Diluted earnings /(loss) per share [(For 1 lot share)]** | **26** | **0,7846** | **(1,3525)** |

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

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

# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2020

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

| | | | | | Other comprehensive income that will not be reclassified to profit or loss | | Retained earnings/ Accumulated losses | | |
|---|---|---|---|---|---|---|---|---|---|
| (NOTE 19) | Paid in share capital | Adjusments to share capital | Restricted reserves | Other reserves | Gain / (losses) on remeasurement of defined benefit plans | Gains on revaluation of property, plant and equipment | Prior years' profit/ (losses) | Net profit/ (loss) for the period | Total equity |
| **Prior period** | | | | | | | | | |
| **Balance at 1 January 2019** | 110.000 | 6.628 | 8.704 | 3 | (3.201) | 27.209 | (187.812) | (64.609) | (103.078) |
| Transfers | -- | -- | -- | -- | -- | -- | (64.609) | 64.609 | -- |
| Total comprehensive income | -- | -- | -- | -- | (1.081) | 940 | -- | (148.634) | (148.775) |
| **Balance at 31 December 2019** | 110.000 | 6.628 | 8.704 | 3 | (4.282) | 28.149 | (252.421) | (148.634) | (251.853) |
| | | | | | | | | | |
| **Current period** | | | | | | | | | |
| **Balance at 1 January 2020** | 110.000 | 6.628 | 8.704 | 3 | (4.282) | 28.149 | (252.420) | (148.634) | (251.852) |
| Transfers | -- | -- | -- | -- | -- | -- | (148.634) | 148.634 | -- |
| Total comprehensive income | -- | -- | -- | -- | (1.962) | 2.972 | -- | 85.296 | 86.306 |
| **Balance at 31 December 2020** | 110.000 | 6.628 | 8.704 | 3 | (6.244) | 31.121 | (401.054) | 85.296 | (165.546) |

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

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

# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2020

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

| | Notes | Current period<br>Audited<br>1 January –<br>31 December 2020 | Prior period<br>Audited<br>1 January –<br>31 December 2019 |
|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit/(loss) for the period** | | **85.296** | **(148.634)** |
| **Adjustments:** | | | |
| Adjustments for finance costs | 24 | 207.856 | 213.476 |
| Adjustments for depreciation and amortisation expenses | 21 | 118.814 | 133.298 |
| Adjustments for impairment of receivables | 7 | 273 | (2.562) |
| Adjustments for (reversal of)/provision for other provisions | | 360 | (3.645) |
| Adjustments for (reversal of)/impairment of property, plant and equipment and intangible assets | 12,13,14 | (5.597) | (3.785) |
| Adjustments for (reversal of)/impairment of inventory | 9 | 680 | 73 |
| Adjustments for provision for employee benefits | | 15.377 | 11.913 |
| Adjustments for interest expenses | 23 | (12.024) | (124) |
| Adjustments for tax expense/(income) | 25 | 25.912 | (29.253) |
| Adjustments for the (gains)/losses on sale of property, plant and equipment | 23 | 2.853 | 8.318 |
| | | **439.800** | **180.387** |
| **Changes in working capital:** | | | |
| Decrease/(increase) in trade receivables from third parties | | (23.002) | (1.551) |
| Decrease in trade receivables from related parties | 4 | (14.206) | 1.087 |
| Decrease/(increase) in inventories | 9 | (197.080) | (367.524) |
| Decrease in other assets related to operations | | 35.775 | (25.522) |
| Decrease in trade payables to third parties | 7 | 152.621 | 454.761 |
| Decrease in trade payables to related parties | 4,7 | 1.103 | 737 |
| Change in other liabilities related to operations | | (27.541) | (2.849) |
| Payments related to provisions for employee benefits | 15 | (2.334) | (7.642) |
| Payments related to other provisions | | (904) | (3.654) |
| **Cash provided by/(used in) operating activities** | | **364.232** | **228.230** |
| | | | |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of property, plant and equipment | 13 | (22.268) | (23.931) |
| Acquisition of intangible assets | 14 | (15.837) | (14.822) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 703 | 3.183 |
| Interest received | 23 | 12.024 | 124 |
| **Cash used in investing activities** | | **(25.378)** | **(35.446)** |
| | | | |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Other financing cost paid | | (109.637) | (103.322) |
| Payments for operating leases | 6 | (102.022) | (141.264) |
| Proceeds from bank borrowings | 6 | 255.000 | 96.000 |
| Repayments of bank borrowings | 6 | (32.115) | (32.606) |
| **Cash (used in)/provided from financing activities** | | **11.226** | **(181.192)** |
| | | | |
| **NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)** | | **350.080** | **11.592** |
| The effect of changes in foreign exchange rates on cash and cash equivalents in foreign currency | | 4.854 | (1.312) |
| **D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | **5** | **37.267** | **26.987** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)** | **5** | **392.201** | **37.267** |

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

## NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Teknosa İç ve Dış Ticaret Anonim Şirketi, ("Teknosa" or "the Company") was established on 3 March 2000, and is engaged in retail sales of consumer electronics through its stores and website www.teknosa.com and air conditioners and white goods through its dealers. The Company's main shareholder is Hacı Ömer Sabancı Holding A.Ş. As at 31 December 2020, number of personnel of the Company is 2.337 (31 December 2019: 2.270). The Company is registered in Turkey and operates under the laws and regulations of Turkish Commercial Code.

In accordance with the resolution of the Board of Directors dated 6 April 2016, the Company merged with Kliksa İç ve Dış Ticaret Anonim Şirketi ("Kliksa") which was 100% subsidiary of the Company in the previous periods through dissolving without liquidation by transferring all of its assets and liabilities fully as at 1 June 2016.

The Company operates in Turkey in 211 stores with 96.879 square meters retail space as at 31 December 2020 (31 December 2019: 105.276 square meters, 200 stores). The registered office address of the Company is as follows:

Carrefoursa Plaza Cevizli Mahallesi. Tugay Yolu Caddesi No:67 Blok:B Maltepe - İstanbul

The Company's shares have been traded on Borsa Istanbul since 2012.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basis of presentation

#### *(i) Statement of compliance*

The accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") as set out in the Communiqué numbered II-14.1 "Communiqué on Principles of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs published by POA consist of standards and interpretations which are Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019.

*Approval of financial statements:*

The financial statements are approved by the Company's Board of Directors on 16 February 2021. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these financial statements.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.1 Basis of presentation (Contiuned)

#### *(ii) Basis of measurement*

The financial statements have been prepared on historical cost basis except for revaluation of land, building, investment properties measured at fair value and derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are prepared by reflecting the necessary corrections and classifications to the legal records prepared on the basis of historical cost, in order to make the right presentation in accordance with TFRS.

#### *(iii) Presentation and functional currency*

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial position and the results of the Company's operations have been expressed in Turkish Lira ("TL") which is the functional currency of the Company and which is the presentation currency of the financial statements

#### *(iv) Preparation of financial statements in hyperinflationary periods*

The CMB, with its resolution dated 17 March 2005 and numbered 11/367, declared that companies operating in Turkey which prepares their financial statements in accordance with the TAS, would not be subject to the application of inflation accounting effective from 1 January 2005. Accordingly, TAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied since 1 January 2005.

#### *(v) Comparative information and reclassifications of the prior periods' financial statements*

The financial statements of the Company have been prepared comparatively with the prior year in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences. The Company made reclassifications on prior period financial statements. The nature and extent of those reclassification are presented as below:

- The Company reclassified foreign exchange expense arising from foreign currency deposits amounting TL 2.073 previously presented under "other expense from operating activities" to "finance expenses" in its comparative financial statements as at 31 December 2019.
- The Company reclassified foreign exchange income arising from foreign currency deposits amounting TL 761 previously presented under "other income from operating activities" to "finance income" in its its comparative financial statements as at 31 December 2019.

The related reclassification has no effect on the loss for the period ended 31 December 2019.

The reclassifications are considered in the preparation of the statement of cash flows for the period ended 31 December 2019.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.2 Changes in significant accounting policies

Accounting policies are applied consistently in all periods presented in the financial statements. Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

While preparing the financial statements of 31 December 2020, there is no change in the Company's accounting policies.

### 2.3 Changes in estimates and error

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods.

The Company has no significant changes in the accounting estimates as at and for year ended 31 December 2020 compared to those used in previous year.

### 2.4 Summary of Significant Accounting Policies

Financial statements for the period ended 31 December 2020 have been prepared in accordance with TFRS. The significant accounting policies applied while preparing the financial statements are as follows.

The accounting policies described below have been applied consistently by the company in all periods presented in the financial statements.

#### Inventories and cost of goods sold

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventory are purchase costs and other transportation costs necessary to prepare the asset for its intended use. Cost is determined by the weighted average method. Costs related to the shipment of the inventories from main warehouse and the region warehouses to the stores are booked as expense.Net realizable value is the estimated selling price in the ordinary course of business, less the selling expenses (Note 9).

Benefits obtained from suppliers in the normal course of business, such as rebates, stock protection and similar benefits are deducted from the cost of the related inventory item and are associated with cost of goods sold.

Volume Rebates: Represent the premiums received from suppliers based on the purchases made by the Company.

Stock Protection: Stock protection is charged to suppliers in order to increase the sales performance of the older versions of certain products when newer versions are introduced.

Sales Support Premiums: The Company receives sales support premiums depending on the sales performance on certain days for certain products.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

#### Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.(Note 12)

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### Property, plant and equipment and depreciation

***Recognition and measurement***

Property, plant and equipment except for lands and building are measured at cost less accumulated depreciation and impairment losses.

The Company has opted for the option of measuring the land and buildings in the tangible fixed assets by revaluation method. The Company has recognized the increase in the book value of the plants and buildings, which it chose to measure with the revaluation model, as a result of the revaluation in the other comprehensive income in the "Fixed Asset Revaluation Increases" account group. The revalued amount is the fair value at the revaluation date, less accumulated depreciation and subsequent accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in net income / loss and defined as the difference between the sales price and the carrying amount.If the recognized value of an asset is more than its estimated recoverable value, the recognized value of the asset is reduced to its recoverable value.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

***Subsequent expenditure***

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

***Depreciation***

Property, plant and equipment measured by revaluation model are depreciated as of the day they are currently available.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Property, plant and equipment except for land are depreciated on a straight-line basis. The useful lives for property, plant and equipment are as follows:

| | Useful lives (year) |
|---|---:|
| Buildings | 50 |
| Vehicles | 5 |
| Machinery and equipments | 4 – 15 |
| Furniture and fixtures | 5 – 10 |
| Leasehold improvements | 5 – 10 |

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

### Intangible assets

***Recognition and measurement***

Intangible assets acquired by the company that have a certain useful life include licenses and rights and computer software. Intangible assets are measured by deducting accumulated amortization and accumulated impairment losses, if any.

***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

#### Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

• Licences, rights and computer software 3-15 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### Financial Instruments

***i) Recognition and initial measurement***

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through the Statement of Profit or Loss (FVTPL) , transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

***ii) Classification and subsequent measurement***

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through the statement of Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

#### *ii) Classification and subsequent measurement (Continued)*

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets- Assessment of the business model*

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

***ii) Classification and subsequent measurement (Continued)***

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (Continued)*

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, (i) for a financial asset acquired at a discount or premium to its contractual par amount, (ii) a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest and (iii) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial assets – Subsequent measurement and gains and losses*

| | |
|---|---|
| **Financial Assets at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| **Financial Assets at Amortisized Cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

***ii) Classification and subsequent measurement (Continued)***

*Financial liabilities - Classification, subsequent measurement, gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

***Derecognition***

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

***Offseting the financial assets and liabilities***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of assets

Non-derivative financial assets

*Financial instruments and contract assets*

The Company recognises loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The company has chosen lifetime ECL's to measure the impairment of trade receivables and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when;

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-derivative financial assets (continued)

*Financial instruments and contract assets (continued)*

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Cash deficit is the difference between the cash flows that must be made to the business according to the contract and the cash flows that the business expects to receive. Since the amount and timing of the payments are taken into consideration in the expected credit losses, a credit loss occurs even if the company expects to receive the entire payment late than the term specified in the contract.

ECL's are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-derivative financial assets (continued)

*Financial instruments and contract assets (continued)*

*Presentation of impairment*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Impairment losses for trade and other receivables are shown as a separate item in the statement of profit or loss.

*Write-off*

In the absence of reasonable expectations regarding the partial or complete recovery of the value of a financial asset, the entity directly deducting the gross book value of the financial asset. Write-off is a reason for derecognition.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

The Company reviews the book value of its tangible and intangible assets to determine whether there are impairments in each reporting period and subordinates its stores to impairment tests for certain periods during the year and records the portion of cash generating unit exceeding the recoverable value of the recognited value as impairment expense.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

On the other hand, the Company management recognises impairment provisions for the tangible assets of the stores that are expected to be closed as of the end of the reporting period.

Leases

At the beginning of the contract, the company determines whether the contract is a lease contract or not. If the contract delegates the right to control the use of the asset defined for a price for a specified period, this contract is a lease contract or includes a lease. The Company uses the lease definition in TFRS 16 to assess whether a contract provides the right to control the use of a defined asset.

This policy applies to contracts made on or after 1 January 2019.

*As a lessee*

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

*As a lessee (Contunied)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Companys's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Companys's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

*Short-term leases and low-value leases*

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***As a lessor***

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies TFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in TFRS 9 to the net investment in the lease.The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from TFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

*(i) As a lessee*

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

*(ii) As a lessor*

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Provisions, contingent assets and liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

#### Tax

Tax expense comprises current and deferred tax.

*Current tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The current tax liability also includes tax liabilities arising from dividend distribution notifications. The deduction of current tax assets and liabilities can only be made when certain conditions are met.

*Deferred tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

### NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

#### 2.4 Summary of Significant Accounting Policies (Continued)

*Current and deferred tax for the period*

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

Employee benefits

*Retirement pay provision*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 "Employee Benefits" ("TAS 19").

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 15).

Earnings / (losses) per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 26). In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

#### Foreign currency transactions

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

#### Finance income and finance expenses

Finance income consists of bank deposit interest income, which is part of the cycle used for financing purposes, interest income from invested funds, receivables from related parties, foreign exchange gains on financial assets and liabilities (except trade receivables and debts) and gains derived from derivative instruments and recognised in profit or loss.

Finance expenses include interest expenses on bank loans, credit cards and letters of guarantee, commission expenses, exchange rate differences on financial assets and liabilities (except trade receivables and debts) and earnings, which are derived from derivative instruments and recognised in profit or loss.. Borrowing costs that cannot be directly associated with the acquisition, construction or production of an asset are recognized for in profit or loss using the effective interest rate.

Exchange rate incomes and expenses on financial assets and liabilities (except trade receivables and debts) are reported net within the finance income or finance expenses according to the net position of the currency difference movements. Exchange difference and rediscount income on trade receivables and debts are reported in other income from operating activities, exchange rate and rediscount expenses are reported in other expenses from operating activities.

Interest income is recognized for using the effective interest method. Dividend income is recognized in profit or loss on the date when the Company is entitled to receive payment. Interest income is calculated using the effective interest method. This income is calculated by applying the effective interest rate to the gross book value of the financial asset, except for:

(a) Financial assets with credit-impairment when purchased or created.For such financial assets, the entity applies the effective interest rate corrected according to credit to the amortized cost of the financial asset, since it is included in the financial statements for the first time.

(b) Financial assets that are not financial assets with credit-impairment when purchased or created, but subsequently become financial assets with credit-impairment.For such financial assets, the entity applies the effective interest rate to the amortized cost of the asset in subsequent reporting periods.

An entity that calculates interest income by applying the effective interest method to the amortized cost of the financial asset in a reporting period, if the credit risk in the financial instrument improves in a way that the financial asset is no longer deemed to be credit-impaired, and the interest in the subsequent reporting periods can be attributed to an event that occurred objectively (like an increase in the credit rating of the borrower) , calculates its income by applying the effective interest rate to the gross book value.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition

General model for accounting of revenue

In accordance with TFRS 15, a five-stage approach is followed in recognizing revenue for all contracts with customers.

***Step 1: Identify the contract with a customer***

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability). Contracts entered into at or near the same time with the same customer (or a related party of the customer) are combined and treated as a single contract when certain criteria are met.

***Step 2: Identify the performance obligations in the contract***

The Company defines 'performance obligation' as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a:

(a) good or service (or a bundle of goods or services) that is distinct; or

(b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

An entity may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A single contract may contain promises to deliver to the customer more than one good or service. At contract inception, an entity evaluates the promised goods or services to determine which goods or services (or bundle of goods or services) are distinct and therefore constitute performance obligations.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

General model for accounting of revenue (Continued)

***Step 3: Determine the transaction price***

When determining the transaction price, an entity assumes that the goods or services will be transferred to the customer based on the terms of the existing contract. In determining the transaction price, an entity considers variables considerations and significant financing components.

Significant financing component

To estimate the transaction price in a contract, the Company adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer. The Company does not have sales transactions which includes significant financing component.

Variable consideration

An entity assesses whether discounts, rebates, refunds, rights of return, credits, price concessions, incentives, performance bonuses, penalties, or similar items may result in variable consideration.

***Step 4: Allocate the transaction price to the performance obligations in the contract***

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

***Step 5: Recognize revenue when or as the entity satisfies a performance obligation***

An entity recognizes revenue over time when one of the following criterias are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

### NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

***Step 5: Recognize revenue when or as the entity satisfies a performance obligation (Continued)***

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

In cases where the cost to be incurred by the Company exceeding the expected economic benefits to be incurred to fulfill the contractual obligations exceeds the expected economic benefit, the Company provides a provision in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contract modifications

The Company recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

*i) Retail sales revenues*

The Company's retail sales revenue is recognized when a customer obtains control of the goods. Determining the timing of the transfer of control – at a point in time or over time – requires judgment. Since the Company generally carries out retail sales with cash or credit cards and customers obtain control of the goods as sales are realized, revenue is recognized at the time of sale. In case of the control period does not occur at the same time, revenue is recognized as revenue in the following period.

The revenues generated by the Company through the dealer network (Iklimsa) are recognized as revenue when the dealers gain control of the related good. In cases where the control transfer does not occur at the same time, income is recognized as revenue in the following period. The company performs dealer sales generally in exchange for cash, credit sales, secured check, and transfer of control transfer to the dealers.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

#### Revenue recognition (Continued)

*ii) Turnover premiums and supplier discounts*

The Company turnover premiums income from supplier contracts and supplier discounts are accounted for an accrual basis in the period of the Company benefits from premiums and deductions with the cost of goods sold. TFRS 15 did not have a significant effect on the recognition of the Company's turnover premiums and supplier discounts.

*iii) Customer gift checks*

Gift vouchers sold by the Company to its customers are classified under other current liabilities section as deferred revenue. Moreover, gift vouchers are recorded as income as they are used by the customers. Related gift vouchers are used by the customer, related amount which is classified as deferred income, is recorded as sales revenue. The Company recognizes income from the gift checks by estimating the portion which will not be used by the customers based on the historic data. Gift vouchers that are not expected to be used by the customers are classified under deferred revenue in the financial statements.

#### Warranty expenses and provisions

Provision for warranty expenses for the air-conditioners for which the warranty liability belongs to the Company is calculated based on statistical information for possible future warranty services. The warranty liability for the consumer electronics retail sales of the Company belongs to the manufacturer or to the importer companies. On the other hand, there is no significant liability of the Company for the extended warranty period.

#### Business combinations

Business combinations are accounted for by using the acquisition method. The consideration transferred in a business combination includes the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Acquisition related costs are expensed as they are incurred. The identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. If this amount is lower than the market value of the net assets of the subsidiary acquired, the excess amount is recognized directly in the income statement.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

#### Segment reporting

The management has determined the operating segments based on the reports used in taking strategic decisions by the Board of Directors and the executive committee (includes general manager and the assistant general managers).The executive committee evaluates the business in terms of business unit on the basis of retail and dealer (İklimsa) group.

The Board of Directors and the executive committee monitor the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Tax, Employment Termination Benefits, Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9, Other Expenses From Operating Activities, Depreciation and Amortization ("Adjusted EBITDA")

This measurement of the operating segments does not consider the effects of nonrecurring income and expenses. Interest income and expenses are not allocated to operating segments since they are monitored by the central treasury department of the Company. Adjusted EBITDA is not a measure of operating income, operating performance or liquidity under CMB Financial Reporting Standards.

The Company presented Adjusted EBITDA in the notes to the financial statements besides the requirements of segment reporting since it is used by certain readers in their analyses (Note 3).

#### Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

#### Related parties

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:
   (i) controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
   (ii) has an interest in the Company that gives it significant influence over the Company; or
   (iii) has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is member of the key management personnel of the Company and its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

Events after the reporting period

It refers to the events occurring in favor of or against the Company between the reporting date and the date of authorization for the publication of the financial statements.

- there is new evidence that events exist at the reporting date; and
- there is evidence to show that the relevant events occurred after the reporting date( events after the reporting period which is not require to ajust)

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information. The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

**Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2020**

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

New standards, comments and amendments that have been published as of the reporting date but have not yet come into effect and are allowed to be implemented early but are not implemented early by the company are as follows.

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

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

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

The amendments to TAS 1 include:

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

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

**Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2020 (Continued)**

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

The Company does not expect that application of these amendments to TAS 1 will have significant impact on its financial statements

Covid-19 related rent concession (Amendments to TFRS 16)

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

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

The practical expedient will only apply if:

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

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

The Company as a lessee, shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted. The company has preferred to apply the change earlier and consistently applied the exemption to eligible lease concessions. (Note 22)

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

**Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2020 (Continued)**

IBOR Reform and its Effects on Financial Reporting—Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16)

In August 2020, IASB has published  amendments which is issued by POA in 18 December 2020 that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project and then these amendments were also issuedby POA.

The objectives of the Phase 2 amendments are to assist companies in:

- applying TFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases relating to and these amendments were also issued by POA :

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2021 with earlier application permitted.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

### Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2020 (Continued)

#### Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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

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

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

The amendments improve transparency and consistency by clarifying the accounting requirements specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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

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

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

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

**Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2020 (Continued)**

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

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

*Annual Improvements to TFRS Standards 2018–2020*

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

*TFRS 1 First-time Adoption of International Financial Reporting Standards*

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

*TFRS 9 Financial Instruments*

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

### NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Summary of Significant Accounting Policies (Continued)

**Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2020 (Continued)**

Amendments are effective on 1 January 2020

The changes that have entered into force for the accounting periods starting on 1 January 2020 and after are as follows:

- The revised Conceptual Framework (2018 version)
- Amendments to TFRS 3 - Definition of a Business (The application of the amendment in TFRS 3 did not have a significant effect on the financial statements of the Company.)
- Amendments to TAS 1 and TAS 8 - Definition of Material (The application of the amendment to TAS 1 and TAS 8 did not have a significant impact on the financial statements of the Company.
- Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7) (The application of this amendments did not have a significant impact on the financial statements of the Company.)

### 2.5 Critical judgments and estimates

Critical judgments in applying the Company's accounting policies

While preparing the financial statements, the management made judgments, estimates and assumptions affecting the application of the accounting policies of the Company and the amounts of the reported assets, liabilities, income and expenses. Actual amounts may vary from estimated amounts. Estimates and related assumptions are constantly reviewed. Changes made to estimates are recognized prospectively.

The Company management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

*Useful lives of property and equipment and intangible assets*

Items of property and equipment and intangible assets except for land and buildings are measured at cost less accumulated depreciation and impairment losses, if any. Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.5 Critical judgments and estimates (Contunied)

*Impairment of property, plant and equipment and intangible assets*

The Company assesses at each reporting date to determine whether there is any indication of impairment. If the stores which are operating more than 1 year generates operating profit/ (loss) before income tax lower than the planned performance result, this situation is assessed as an objective evidence for impairment. If any such indication exists, then the asset's recoverable amount is compared with the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If the carrying amount of an asset or any cash generating unit that the asset belongs to is higher than its net realizable value, the value of the asset has impaired. Additionally, the Company recognises allowance for impairment for the tangible assets of the stores for which the Company management has expected to close down. The allowance for impairment is calculated with rates applied on the net carrying amount as at the reporting date. The applied rate is 100% for the leasehold improvements and 50% for the equipment. The Company recognised allowance on property, plant and equipment amounting to TL 1.907 as at 31 December 2020 (31 December 2019: TL 2.831).(Note 13)

*Allowance on inventories*

In accordance with the accounting policy, inventories are stated at the net realisable value ("NRV"). The Company measures the products with selling prices lower than its cost at lower of cost or NRV. NRV, is the value after deducting the estimated expenditures to be made to bring the stocks at sale at the estimated selling price.

The Company makes aging analysis for its inventories based on certain date ranges from the acquisition date. Impairment is calculated for the old stock over 180 days with different rates applied for each date range based on the aging analysis as at reporting date. The Company recognised allowance on inventories amounting to TL 15.702 as at 31 December 2020 (31 December 2019: TL 15.022). (Note 9)

*Deferred tax assets*

The Company recognises deferred tax asset or liability in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes in accordance with TAS and the amounts used for taxation purposes. The Company has deferred tax assets arising from carried forward tax losses and other temporary differences deductible from its potential future profits. The Company management estimates the amount of deferred tax assets which is fully and partially recoverable based on the current circumstances and available information. During the assessment, projections of future taxable income, current year and carried forward losses, potential expiration dates for utilisation of tax losses and other tax assets, and tax planning strategies are considered.

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.5 Critical judgments and estimates (Contunied)

*Accounting of gift checks*

The Company recognises income from the gift checks by estimating the portion which will not be used by the customers based on the historic data. As at 31 December 2020, the amount offset from the deferred revenue from the gift checks recognised in the financial statement is amounting to TL 10.668 (31 December 2019: TL 6.262) (Note 10)

*Compliance with the financial requirements*

The Company recognised net profit amounting to TL 85.296 for the year ended 31 December 2020. As at 31 December 2020, accumulated losses are amounting to TL 401.054. As at 31 December 2020, negative equity of the Company which includes the prior years' losses is amounting to TL 165.546.

The amendment to the Provisional Article 1 of the "Communiqué on the Procedures and Principles Regarding the Implementation of Article 376 of the Turkish Commercial Code No. 6102" issued by the Ministry of Trade was published in the Official Gazette dated December 26, 2020 and entered into force. After this amendment, some changes have been made in the calculations regarding capital loss or being insolvent.

In accordance with this amendment; Until 1/1/2023, within the scope of the 376th article of the Turkish Commercial Code numbered 6102, in the calculations regarding the loss of capital or being in debt (i) all of the foreign exchange losses arising from foreign currency liabilities that have not yet been fulfilled, and half of the sum of (ii) lease expenses, (iii) depreciation and (iv) personnel expenses incurred for 2020 and 2021 may not be taken into account. While determining these amounts, calculations should be made without any duplications and prepared financial statements should not include any records regarding these calculations and this situation should be presented on the footnotes for informative purposes.

With the said legislative amendment, as a result of the calculations made regarding the loss of capital and insolvency within the scope of article 376 of the Turkish Commercial Code (TCC), the Company's equity is determined by the Capital Markets Board (CMB) ) was found to be (+) 78.299 TL above the minimum limits regulated in the Principle Decision dated 10.04.2014 and numbered 11/352. In this context, the Company has no obligation to prepare interim balance sheet regulated in the third paragraph of Article 376 of the TCC.

In 2020, the company management prioritized a more data-based and result-oriented way of doing business, increasing gross profitability and organizational efficiency, taking into account the forward-looking profitability criteria. Management and availability of the best selling products in the market, increasing the performance of complementary products and accessories sales, reconstructing the promotion processes, analyzing the problems in low-performance stores and solutions to these problems, sales force efficiency and tracking and reporting for spending all cost items in the right channels and in the right amount mechanisms have been established and a comprehensive transformation program is implemented.

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

### NOTE 3 – SEGMENT REPORTING

The Company applies TFRS 8 starting from 1 January 2009 and determined the reportable segments based on the internal management reports which are regularly reviewed by the decision maker.

In order to take the decisions about the allocation of resources to the operating segments and evaluate the performance of these segments, the decision maker reviews the results and the operations by sales channel. The Company's sales channel are as follows: Electronics retail sales, and sales of air conditions and white goods through dealers. These sales are also reviewed as stores and dealers (İklimsa). In addition, assets and liabilities are not included in the segment reporting, since they are not regularly presented to the decision maker and are not reviewed in as a part of segment reporting.

Details of the segment reporting according to the internal management reports are as follows:

| | 1 January – 31 December 2020 | | |
|---|---|---|---|
| | **Retail stores** | **Dealer group** | **Total** |
| Total segment income | 5.320.609 | 285.910 | 5.606.519 |
| **Income from third party customers** | **5.320.609** | **285.910** | **5.606.519** |
| | | | |
| **Adjusted EBIT** | **450.087** | **24.509** | **474.596** |

| | 1 January – 31 December 2019 | | |
|---|---|---|---|
| | **Retail stores** | **Dealer group** | **Total** |
| Total segment income | 3.904.213 | 232.758 | 4.136.971 |
| **Income from third party customers** | **3.904.213** | **232.758** | **4.136.971** |
| | | | |
| **Adjusted EBIT** | **312.546** | **4.654** | **317.200** |

| | **1 January – 31 December 2020** | **1 January – 31 December 2019** |
|---|---|---|
| **Reconciliation of Adjusted EBIT with profit before taxes:** | **474.596** | **317.200** |
| Depreciation and amortisation expenses | (118.814) | (133.298) |
| Finance costs | (207.856) | (214.788) |
| Income/(expenses) from investing activities | 9.559 | (7.240) |
| Other expenses from operating activities- net | (41.867) | (133.642) |
| Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9 | (273) | 2.562 |
| Provision for employee termination benefits | (4.137) | (8.681) |
| **Profit/(loss) before tax** | **111.208** | **(177.887)** |

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

### NOTE 4 – RELATED PARTY DISCLOSURES

The related parties listed below are the companies directly or indirectly controlled by Hacı Ömer Sabancı Holding A.Ş., the parent company of Teknosa or the companies over which Hacı Ömer Sabancı Holding A.Ş. has significant influence.

| | 31 December 2020 | |
|---|---|---|
| | Receivables | Payables |
| | Current | Current |
| **Balances with related parties** | **Trading** | **Trading** |
| Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.(*) | 14.242 | -- |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş. | 225 | -- |
| Sabancı Dijital Teknoloji Hizmetleri A.Ş. | 120 | 6.155 |
| Akbank T.A.Ş. | 92 | -- |
| Çimsa Çimento San.ve Tic.A.Ş. | 75 | -- |
| Hacı Ömer Sabancı Holding A.Ş. | 70 | 53 |
| Ak Finansal Kiralama A.Ş | 26 | -- |
| Akçansa Çimento San. ve Tic. A.Ş. | 15 | -- |
| Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş. | 10 | -- |
| Aksigorta A.Ş. | 8 | 1 |
| Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları | -- | 347 |
| Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş. | -- | 22 |
| | **14.883** | **6.578** |

| | 31 December 2019 | |
|---|---|---|
| | Receivables | Payables |
| | Current | Current |
| **Balances with related parties** | **Trading** | **Trading** |
| Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları | 257 | 515 |
| Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. | 208 | -- |
| Akbank T.A.Ş. | 101 | -- |
| Çimsa Çimento San. ve Tic. A.Ş. | 54 | -- |
| Hacı Ömer Sabancı Holding A.Ş. | 35 | -- |
| Aksigorta A.Ş. | 16 | 415 |
| Akçansa Çimento San. ve Tic. A.Ş. | 6 | -- |
| Sabancı Dijital Teknoloji Hizmetleri A.Ş. | -- | 4.545 |
| | **677** | **5.475** |

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

## NOTE 4 – RELATED PARTY DISCLOSURES (CONTINUED)

| Deposit accounts in Akbank T.A.Ş. | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Time deposit | 346.181 | -- |
| Demand deposit | 8.852 | 12.213 |
| | **355.033** | **12.213** |

| Credit card receivables in Akbank T.A.Ş. | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Credit card receivables | 5.043 | 3.069 |
| | **5.043** | **3.069** |

| | 1 January – 31 December 2020 | | |
|---|---|---|---|
| Transactions with related parties | Sale of goods | Rent expense | Other expenses |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş. | 40.436 | 3.872 | 900 |
| Akbank T.A.Ş. | 4.141 | -- | -- |
| Aksigorta A.Ş. | 921 | -- | 3.901 |
| Akçansa Çimento San. ve Tic. A.Ş. | 287 | -- | -- |
| Kordsa Global End. İplik ve Kordbezi San. A.Ş. | 283 | -- | -- |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş. | 238 | -- | -- |
| H.Ö. Sabancı Holding A.Ş. | 231 | -- | 162 |
| Avivasa Emeklilik ve Hayat A.Ş. | 122 | -- | -- |
| Çimsa Çimento San.ve Tic.A.Ş. | 106 | -- | -- |
| Sabancı Dijital Teknoloji Hizmetleri A.Ş. | 102 | -- | 14.499 |
| Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları | 95 | -- | 4.289 |
| Ak Finansal Kiralama A.Ş | 72 | -- | -- |
| Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş. | -- | -- | 22 |
| | **47.034** | **3.872** | **23.773** |

| | 1 January – 31 December 2019 | | |
|---|---|---|---|
| Transactions with related parties | Sale of goods | Rent expense | Other expenses |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş. | 5.370 | 1.594 | 2.640 |
| Akbank T.A.Ş. | 3.262 | -- | -- |
| Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları | 339 | -- | 5.121 |
| Aksigorta A.Ş. | 277 | -- | (130) |
| Avivasa Emeklilik ve Hayat A.Ş. | 241 | -- | -- |
| Çimsa Çimento San.ve Tic.A.Ş. | 209 | -- | -- |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş. | 135 | -- | -- |
| Kordsa Global End. İplik ve Kordbezi San. A.Ş. | 121 | -- | -- |
| Akçansa Çimento San. ve Tic. A.Ş. | 60 | -- | -- |
| H.Ö. Sabancı Holding A.Ş. | 39 | -- | 33 |
| AK Finansal Kiralama A.Ş. | 8 | -- | -- |
| Sabancı Dijital Teknoloji Hizmetleri A.Ş. | -- | -- | 4.302 |
| | **10.061** | **1.594** | **11.966** |

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

## NOTE 4 – RELATED PARTY DISCLOSURES (CONTINUED)

The details of short and long term rent liabilities to related parties as at 31 December 2020 and 31 December 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Short portion of long-term rent liabilities to related parties | 1.392 | 980 |
| Long-term rent liabilities to related parties | 2.347 | 3.297 |
| | **3.739** | **4.277** |

### Benefits for the key management personnel

The Company's key management has been identified as the general manager and assistant general managers. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the years ended are as follows:

| | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| Salaries and other benefits | 6.796 | 4.575 |
| | **6.796** | **4.575** |

## NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash | 2.942 | 2.676 |
| Time deposit | 346.181 | -- |
| Demand deposit | 15.491 | 15.351 |
| Credit card slip receivables | 27.587 | 19.240 |
| | **392.201** | **37.267** |

The Company does not have any blocked deposits as at 31 December 2020 and 31 December 2019.
As at 31 December 2019 The Company does not have any time deposits.

The details of time deposits, maturity dates and interest rates of the company as at 30 September 2020 are as follows:

| Currency | Maturity | Interest Rate | 31 December 2020 |
|---|---|---|---|
| TL | 4 January 2021 | %19 | 346.000 |
| | | Accrual of interest | 181 |
| | | | **346.181** |

The Company's exposure to foreign currency risk for cash and cash equivalents are disclosed in Note 27.

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

### NOTE 6 – FINANCIAL LIABILITIES

The details of financial liabilities as at 31 December 2020 and 2019 are as follows:

| | | 31 December 2020 | | |
|---|---|---|---|---|
| | Currency | Interest Rate | Amount | Maturity |
| Bank loans | TL | %11 | 370.058 | 6 August 2021 |
| **Short term financial liabilities** | | | **370.058** | |

| | | 31 December 2019 | | |
|---|---|---|---|---|
| | Currency | Interest Rate | Amount | Maturity |
| Bank loans | TL | %12 | 105.521 | 1 January 2020 |
| **Short term financial liabilities** | | | **105.521** | |

The reconciliation of the Company's liabilities arising from bank loans for the accounting periods ending on 31 December 2020 and 2019 is as follows:

| | 2020 | 2019 |
|---|---|---|
| Bank borrowings as of January 1 | 105.521 | 8.500 |
| Credit principal entries during the period | 255.000 | 96.000 |
| Interest and principal repayments during the period | (32.115) | (32.606) |
| Interest expense during the period (including accruals) | 41.652 | 33.627 |
| **Bank borrowings as of December 31** | **370.058** | **105.521** |

As of 31 December 2020 and 2019 Finance lease payables consist of the followings:

| Lease Liabilities | Present value of minimum lease payments | |
|---|---|---|
| | 31 December 2020 | 31 December 2019 |
| Within one year | 121.049 | 102.848 |
| Less: future finance charges | (22.643) | (18.128) |
| **Present value of lease liabilities** | **98.406** | **84.720** |
| | | |
| Within two years and after | 206.778 | 331.317 |
| Less: future finance charges | (38.778) | (58.399) |
| **Present value of lease liabilities** | **168.000** | **272.918** |

The Company's lease liabilities represent the present value of the future payables of the buildings and machinery and equipment that are rented by the third parties through their useful lives.

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

## NOTE 6 – FINANCIAL LIABILITIES (CONTINUED)

The reconciliation of the Company's liabilities arising from leasing activities is as follows.

| | 2020 | 2019 |
|---|---|---|
| Lease liabilities at 1 January | 357.638 | 394.398 |
| Increase in lease liabilities during the period | (50.677) | 27.977 |
| Lease payments during the period | (102.022) | (141.264) |
| Interest expense during the period | 61.421 | 76.476 |
| Effects of exchange rate changes during the period | 46 | 51 |
| **Lease liabilities at 31 December** | **266.406** | **357.638** |

## NOTE 7 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as at 31 December 2020 and 2019 are as follows:

*Short term trade receivables*

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Trade receivables | 58.283 | 46.684 |
| Notes receivables | 37.393 | 25.990 |
| Due from related parties (Note 4) | 14.883 | 677 |
| Allowance for doubtful receivables (-) | (7.262) | (6.989) |
| | **103.297** | **66.362** |

The average maturity of the Company's trade receivables is 1-7 days for retail receivables and 57 days for dealer groups. (31 December 2019: For retail: 1-7 days, 80 days for dealer receivables). As of 31 December 2020, the Company does not apply overdue interest on trade receivables. (31 December 2019: None).

The movement of the allowance for doubtful receivables for the years ended 31 December 2020 and 2019 is as follows:

| | 2020 | 2019 |
|---|---|---|
| As at 1 January | 6.989 | 9.551 |
| Charge for the period | 332 | -- |
| Reversals | (59) | (2.562) |
| | **7.262** | **6.989** |

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

## NOTE 7 - TRADE RECEIVABLES AND PAYABLES (CONTINUED)

As of 31 December , the Company obtained the collaterals listed below for the checks, notes and trade receivables:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Letters of guarantees received | 67.215 | 69.892 |
| Mortgages | 9.572 | 9.572 |
| | **76.787** | **79.464** |

Fair value of the collaterals which the Company is permitted to sell or repledge without the default by the owner of the collateral is TL 76.787 (31 December 2019: TL 79.464). As at the reporting date, there are not any collaterals or mortgages which are sold or re-pledged by the Company

The exchange rate risk for the Company's trade receivables is disclosed in Note 27.

*Short term trade payables:*

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Trade payables | 1.373.981 | 1.224.392 |
| Due to related parties (Note 4) | 6.578 | 5.475 |
| Expense accruals | 5.805 | 2.773 |
| | **1.386.364** | **1.232.640** |

As at 31 December 2020, the Company offset income accruals from its suppliers amounting to TL 54.009 with trade payables (31 December 2019: TL 68.090). Average payment terms of trade payables is 90 days (31 December 2019: 104 days). The Company does not have payments on a monthly basis for late interest as of 31 December 2020. (31 December 2019: None).

The exchange rate risk for the Company's trade payables is disclosed in Note 27.

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

## NOTE 8 – OTHER RECEIVABLES AND PAYABLES

The details of other receivables and other payables as at 31 December 2020 and 2019 are as follows:

*Other receivables:*

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Deposits and guarantees given | 571 | 496 |
| | **571** | **496** |

*Other payables:*

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Deposits and guarantees received | 2.913 | 2.349 |
| | **2.913** | **2.349** |

## NOTE 9 - INVENTORIES

The details of the inventories as at 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Trading goods | 1.037.103 | 826.929 |
| Goods in transit | 35.127 | 48.221 |
| Allowance for impairment on inventories (-) | (15.702) | (15.022) |
| | **1.056.528** | **860.128** |

As at 31 December 2020 cost of goods solds reflected to the statement of profit and loss amounting to TL 4.660.121 ( 31 December 2019: TL 3.402.864). As at 31 December 2020 and 2019 the provisions for impairment on inventories are expensed as cost of goods sold (Note 20).

The movements of allowance for inventories for the year ended at 31 December 2020 and 2019 are as below:

| **Allowance for inventories:** | 2020 | 2019 |
|---|---|---|
| As at 1 January | (15.022) | (14.949) |
| Change of the period | (2.393) | (3.907) |
| Current year reversal | 1.713 | 3.834 |
| **As at 31 December** | **(15.702)** | **(15.022)** |

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

## NOTE 10 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of prepaid expenses as at 31 December 2020 and 2019 are as follows:

| Short-term prepaid expenses | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Short term prepaid expenses | 5.034 | 5.489 |
| Advances given for inventories | 3.434 | 328 |
| | **8.468** | **5.817** |

| Long-term prepaid expenses | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Long term prepaid expenses | 49 | 27 |
| | **49** | **27** |

The details of the deferred revenue as at 31 December 2020 and 2019 are as follows:

| Short-term deferred revenue | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Income from gift checks | 10.668 | 6.262 |
| Advances received | 12.338 | 8.372 |
| Other | 707 | 294 |
| | **23.713** | **14.928** |

## NOTE 11 – RIGHT OF USE ASSETS

The Company,as a lessie, has included the right of use assets which represents the right to use the underlying assets and lease liabilities which represent the lease payments that it is liable to pay, in its financial statements. The transition effect of the Company in accordance with TFRS 16 is explained in Note 2.2.

As of 31 December 2020, the movement of right of use assets is as follows:

| Cost value | Buildings | Vehicles | Total |
|---|---|---|---|
| 1 January 2020 opening balance | 418.999 | 3.376 | 422.375 |
| Additions | 42.741 | 9.973 | 52.714 |
| Disposals(*) | (70.956) | (336) | (71.292) |
| **31 December 2020 closing balance** | **390.784** | **13.013** | **403.797** |
| **Accumulated depreciation** | | | |
| 1 January 2020 opening balance | (99.893) | (584) | (100.477) |
| Additions(*) | (110.118) | (2.324) | (112.442) |
| Disposals(*) | 28.559 | 273 | 28.832 |
| 31 December 2020 closing balance | (181.452) | (2.635) | (184.087) |
| **Net carrying amount as of 1 January 2020** | **319.106** | **2.792** | **321.898** |
| **Net carrying amount as of 31 December 2020** | **209.332** | **10.378** | **219.710** |

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

### NOTE 11 – RIGHT OF USE ASSETS (CONTINUED)

| Cost value | Buildings | Vehicles | Total |
|---|---|---|---|
| 1 January 2019 opening balance | 391.022 | 3.376 | 394.398 |
| Additions | 26.405 | -- | 26.405 |
| Prepaid expenses | 1.572 | -- | 1.572 |
| **31 December 2019 closing balance** | **418.999** | **3.376** | **422.375** |

| Accumulated depreciation | | | |
|---|---|---|---|
| 1 January 2019 opening balance | -- | -- | -- |
| Charge for the period | (99.893) | (584) | (100.477) |
| **31 December 2019 closing balance** | **(99.893)** | **(584)** | **(100.477)** |

| | | | |
|---|---|---|---|
| **Net carrying amount as of 1 January 2019** | **391.022** | **3.376** | **394.398** |
| **Ne carrying amount as of 31 December 2019** | **319.106** | **2.792** | **321.898** |

(*) It includes the adjustment made in the right-of-use assets related to the lease contract due to exceptions taken and the lease discounts received by the Company within 2020 through lease contracts which is accounted in accordance with TFRS 16. The depreciation expense for the year ending on 31 December 2020 is 83.610 TL (2019: 100.477 TL) As of 31 December 2020, thereof TL 82.433 of depreciation charges included in marketing expenses (31 December 2019: TL 96.998) and TL 1.177 included in general administrative expenses (31 December 2019: TL 3.479)

### NOTE 12 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation for the year ended 31 December 2020 and 2019 are as follows:

| Cost | Buildings | Total |
|---|---|---|
| Balance at 1 January 2020 | 30.346 | 30.346 |
| Transfer | -- | -- |
| Revaluation gain (*) | 388 | 388 |
| **Balance at 31 December 2020** | **30.734** | **30.734** |

| Accumulated depreciation | | |
|---|---|---|
| Balance at 1 January 2020 | (1.124) | (1.124) |
| Charge for the period | -- | -- |
| **Balance at 31 December 2020** | **(1.124)** | **(1.124)** |
| **Net carrying amount as at 1 January 2020** | **29.222** | **29.222** |
| **Net carrying amount as at 31 December 2020** | **29.610** | **29.610** |

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

### NOTE 12 – INVESTMENT PROPERTY (CONTINUED)

| Cost | Buildings | Total |
|---|---|---|
| Balance at 1 January 2019 | 10.053 | 10.053 |
| Transfers(**) | 19.339 | 19.339 |
| Revaluation gain (*) | 954 | 954 |
| **Balance at 31 December 2019** | **30.346** | **30.346** |

| Accumulated depreciation | | |
|---|---|---|
| Balance at 1 January 2019 | (1.124) | (1.124) |
| Charge for the period | -- | -- |
| **Balance at 31 December 2019** | **(1.124)** | **(1.124)** |
| **Net carrying amount as at 1 January 2019** | **8.929** | **8.929** |
| **Net carrying amount as at 31 December 2019** | **29.222** | **29.222** |

There is no amortization charge as of 31 December 2020. (31 December 2019: None)

The Company generates rental income by TL 1.474 (2019: TL 1.151) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 558 (2019: TL 323). Operating expenses which are not related to the Teknosa store are distributed to lessees.

Buildings which are recognised as property, plant and equipment and investment property were revalued by an independent appraisal firm named Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş. on 13 January 2021.

The appraisal firm is an accredited independent firm licensed by CMB, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. For the fair value of the lands and buildings owned, it was calculated by using the "Benchmark Analysis Method", "Cost Analysis Method" and "Direct Capitalization Analysis Method", and the results obtained were harmonized and the final value was reached.

(*) As of 31 December 2020, for the part of the building held for investment purposes, the impairment amounting to 388 TL and the fair value gain of 954 TL were recorded under the expenses from investment activities, respectively.Fair value of related building is level 2.
(**) As of 31 December 2019, the company leased a part of building, so the leased part was classified from tangible assets to investment properties.

As at 31 December 2020, total insurance amount over investment properties is TL 13.263 (31 December 2019: TL 14.338). 31 December 2020 and 31 December 2019 there is no mortgage on investment properties.

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

## NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2020 are as follows:

| Cost | Building | Machinery and equipment | Vehicles | Furniture and fixtures | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **20.819** | **369** | **57** | **81.249** | **105.740** | **1.546** | **209.780** |
| Additions | 15 | -- | -- | 9.376 | 3.441 | 9.436 | 22.268 |
| Revaluation gain (**) | 3.302 | -- | -- | -- | -- | -- | 3.302 |
| Disposals | -- | -- | -- | (1.048) | (10.892) | -- | (11.940) |
| Allowance of impairments(*) | -- | -- | -- | (1.198) | (683) | -- | (1.881) |
| Reversal of impairments | -- | -- | -- | 215 | 5.764 | -- | 5.979 |
| Transfers | 188 | -- | -- | 773 | 1.373 | (8.524) | (6.190) |
| **Balance at 31 December 2020** | **24.324** | **369** | **57** | **89.367** | **104.743** | **2.458** | **221.318** |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Balance at 1 January 2020 | (3.956) | (369) | (57) | (64.195) | (81.466) | -- | (150.043) |
| Change for the period | (1.368) | -- | -- | (7.208) | (8.557) | -- | (17.133) |
| Disposals | -- | -- | -- | 706 | 7.805 | -- | 8.511 |
| (Allowance for) / reversal of impairment, net | -- | -- | -- | 1.152 | (3.343) | -- | (2.191) |
| **Balance at 31 December 2020** | **(5.324)** | **(369)** | **(57)** | **(69.545)** | **(85.561)** | **--** | **(160.856)** |
| **Net carrying amount at 1 January 2020** | **16.863** | **--** | **--** | **17.054** | **24.274** | **1.546** | **59.737** |
| **Net carrying amount at 31 December 2020** | **19.000** | **--** | **--** | **19.822** | **19.182** | **2.458** | **60.462** |

(*)As of 31 December 2020, the impairment loss calculated for property, plant and equipment is TL 1.907 (2019: TL 2.831)
(**)The Company's freehold building is stated at their revalued amounts, being the fair value at the dale of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold building was performed by Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş., independent valuers not related to the Company. Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş. has been authorized by and a member of CMB, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the freehold building was determined based on the capitalization analysis approach. The fair value increase of 3.302 TL for the building used by the Company in real estate is recorded in the revaluation and measurement gains account under equity. For the related part of the building held for investment purposes, a gain of 388 TL was recorded under the profit or loss statement (31 December 2020: TL 954) (Note 12 and 2.5) Fair value of related building is level 2.As of 31 December 2020, if the building measured with the revaluation model is accounted for using the cost model method, the net book value is 8,752 TL. (31 December 2019:8.821 TL).

Included in marketing expenses of TL 10.907 (2019: TL 8.947) and general administrative expenses of TL 6.226 (2019: TL 8.609) are amortization charges.
As at 31 December 2020, total insurance amount over property, plant and equipment is TL 30.242 (31 December 2019: TL 37.990). As at 31 December 2020 and 31 December 2019 there is no mortgage on property, plant and equipment.

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

## NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2019 are as follows:

| Cost | Building | Machinery and equipment | Vehicles | Furniture and fixtures | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | **38.454** | **369** | **57** | **80.558** | **101.865** | **10.054** | **231.357** |
| Additions | 660 | -- | -- | 3.374 | 10.005 | 9.892 | 23.931 |
| Revaluation gain | 1.044 | -- | -- | -- | -- | -- | 1.044 |
| Disposals | -- | -- | -- | (4.441) | (9.541) | -- | (13.982) |
| Allowance of impairments | -- | -- | -- | (856) | (5.947) | -- | (6.803) |
| Reversal of impairments | -- | -- | -- | 688 | 9.011 | -- | 9.699 |
| Transfers (*) | (19.339) | -- | -- | 1.926 | 347 | (18.400) | (35.466) |
| **Balance at 31 December 2019** | **20.819** | **369** | **57** | **81.249** | **105.740** | **1.546** | **209.780** |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Balance at 1 January 2019 | (3.892) | (369) | (53) | (61.176) | (76.283) | -- | (141.773) |
| Change for the period | (64) | -- | (4) | (8.050) | (9.438) | -- | (17.556) |
| Disposals | -- | -- | -- | 4.441 | 4.910 | -- | 9.351 |
| (Allowance for) / reversal of impairment, net (**) | -- | -- | -- | 590 | (655) | -- | (65) |
| **Balance at 31 December 2019** | **(3.956)** | **(369)** | **(57)** | **(64.195)** | **(81.466)** | **--** | **(150.043)** |
| **Net carrying amount at 1 January 2019** | **34.562** | **--** | **4** | **19.382** | **25.582** | **10.054** | **89.584** |
| **Net carrying amount at 31 December 2019** | **16.863** | **--** | **--** | **17.054** | **24.274** | **1.546** | **59.737** |

(*) As of 31 December 2019, the company leased a part of building, so the leased part was classified from tangible assets to investment properties.

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

## NOTE 14 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated depreciation for the year ended 31 December 2020 and 2019 are as follows:

| Cost | Licences-rights and computer softwares | Total |
|---|---|---|
| Balance at 1 January 2020 | 121.115 | 121.115 |
| Additions | 15.837 | 15.837 |
| Transfers (*) | 6.190 | 6.190 |
| Disposals | (183) | (183) |
| (Allowance for) / reversal of impairment, net | 23 | 23 |
| **Balance at 31 December 2020** | **142.982** | **142.982** |
| **Accumulated amortisation and impairment losses** | | |
| Balance at 1 January 2020 | (85.302) | (85.302) |
| Charge for the period | (18.071) | (18.071) |
| Disposals | 56 | 56 |
| (Allowance for) / reversal of impairment, net | (23) | (23) |
| **Balance at 31 December 2020** | **(103.340)** | **(103.340)** |
| **Net book value as at 1 January 2020** | **35.813** | **35.813** |
| **Net book value as at 31 December 2020** | **39.642** | **39.642** |

| Cost | Licences-rights and computer softwares | Total |
|---|---|---|
| Balance at 1 January 2019 | 104.124 | 104.124 |
| Additions | 14.822 | 14.822 |
| Transfers | 16.127 | 16.127 |
| Disposals | (14.034) | (14.034) |
| (Allowance for) / reversal of impairment, net | 76 | 76 |
| **Balance at 31 December 2019** | **121.115** | **121.115** |
| **Accumulated amortisation and impairment losses** | | |
| Balance at 1 January 2019 | (77.125) | (77.125) |
| Charge for the period | (15.265) | (15.265) |
| Disposals | 7.164 | 7.164 |
| (Allowance for) / reversal of impairment, net | (76) | (76) |
| **Balance at 31 December 2019** | **(85.302)** | **(85.302)** |
| **Net book value as at 1 January 2019** | **26.999** | **26.999** |
| **Net book value as at 31 December 2019** | **35.813** | **35.813** |

(*) As at 31 December 2020 and 2019, the Company made an analyze of the classification of tangible and intangible assets and considered the changes as transfers between accounts.

Amortisation expenses amounting to TL 11.028 (2019: TL 7.485) are included in marketing expenses and TL 7.043 (2019: TL 7.780) are included in general administrative expenses.

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

## NOTE 15– PAYABLES RELATED TO EMPLOYEE BENEFITS AND PROVISINS FOR EMPLOYEE BENEFITS

The details of payables related to employee benefits as at 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Accrued salaries | 7.780 | 9.769 |
| Social security premiums payable | 4.212 | 5.273 |
| Income taxes payable | 2.066 | 2.889 |
| | **14.058** | **17.931** |

The details of the provisions for employee benefits as at 31 December 2020 and 31 December 2019 are as follows:

| Short-term provisions | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Provision for sales personnel premium | 5.040 | 5.016 |
| Provision for head office personnel premium | 4.868 | -- |
| Provision for unused vacation | 4.776 | 3.581 |
| Provision for top management premium | 2.867 | 579 |
| Provision for other premium | 1.415 | 993 |
| | **18.966** | **10.169** |

| Long-term provisions | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Provision for employee termination benefit | 13.031 | 8.776 |
| Provision for other premium | 1.186 | 1.195 |
| | **14.217** | **9.971** |

### Provisions for employment benefits

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

Retirement pay liability is not subject to any kind of funding legally. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

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

## NOTE 15– PAYABLES RELATED TO EMPLOYEE BENEFITS AND PROVISINS FOR EMPLOYEE BENEFITS (CONTINUED)

### Long-term provisions (continued)

### Provisions for employment benefits (continued)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Due to the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4,18 % real discount rate (31 December 2019: 4.55%) calculated by using 9,15 % annual inflation rate and 13,71% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel for 0-15 years are taken into consideration as 15,15 % and 10,22%, respectively (31 December 2019: 16.05% and 9.63%), and 0% for employees working for 16 years and over. Ceiling for retirement pay is revised semi-annually. Probability has been determined as 100% for employees whose insurance register began before December 1999 (127 personnel) and the provision has been calculated accordingly.

Ceiling amount of TL 7.638,96 which is effective since 1 January 2021 is used in the calculation of Company's provision for retirement pay liability (2019: TL 6.730,15).

The movement of employment termination benefit provision for the year ended 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Opening balance, 1 January | 8.776 | 6.386 |
| Service cost | 3.077 | 742 |
| Interest cost | 1.060 | 7.939 |
| Actuarial (gain) / loss | 2.452 | 1.351 |
| Paid compansation during the year | (2.334) | (7.642) |
| | **13.031** | **8.776** |

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

## NOTE 16 – PROVISIONS

The details of the other short term provisions as at 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Provisions for ongoing litigation (*) | 7.113 | 7.040 |
| Provision for cancellation of rent agreements (**) | 739 | 1.023 |
| Other | 2.103 | 2.436 |
| | **9.955** | **10.499** |

(*) Provision for ongoing litigation is comprised of lawsuits filed by consumers and former employees against the Company.
(**) Provision for cancellation of rent agreements is comprised of penalties to be paid to landlords related to store closures before the termination date of the rent agreements. For the year ended 31 December 2020, the Company paid the penalties with a discount as a result of the negotiations with the landlords. The provision for cancellation of rent agreements recognised as at 31 December 2019 were released and income amounting to TL 285 is recognised as other income from operating activities in the accompanying financial statements (Note 22).

The movement of provisions for ongoing litigation and cancellation of rent agreements for the year ended 31 December 2020 and 2019 are as follows:

| | 1 January 2020 | 1 January-31 December 2020 addition | 1 January-31 December 2020 paidreversal provisions | 31 December 2020 |
|---|---|---|---|---|
| Provision for cancellation of rent agreements | 1.023 | 70 | (354) | 739 |
| Provisions for ongoing litigation | 7.040 | 1.887 | (1.814) | 7.113 |
| *Reemployment* | *3.726* | *1.446* | *(834)* | *4.338* |
| *Consumer lawsuits* | *2.012* | *103* | *(969)* | *1.146* |
| *Provisions for rent lawsuit* | *1.302* | *338* | *(11)* | *1.629* |
| | **8.063** | **1.957** | **(2.168)** | **7.852** |

| | 1 January 2019 | 1 January-31 December 2019 addition | 1 January-31 December 2019 paid/reversal provisions | 31 December 2019 |
|---|---|---|---|---|
| Provision for cancellation of rent agreements | 3.988 | 284 | (3.249) | 1.023 |
| Provisions for ongoing litigation | 10.711 | 956 | (4.627) | 7.040 |
| *Reemployment* | *4.918* | *956* | *(2.148)* | *3.726* |
| *Consumer lawsuits* | *2.059* | -- | *(47)* | *2.012* |
| *Provisions for rent lawsuit* | *3.734* | -- | *(2.432)* | *1.302* |
| | **14.699** | **1.240** | **(7.876)** | **8.063** |

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

## NOTE 17 – COMMITMENTS

*Collateral, pledge, mortgage position*

Collaterals, pledges and mortgages ("CPM") given by the Company as at 31 December 2020 and 2019 are as follows:

| CPMs given by the Company | 31 December 2020 | | | |
|---|---|---|---|---|
| | TL equivalent | USD | Euro | TL |
| A. Total amount of CPM given on behalf of own legal personality | 541.946 | 4.174 | 6.200 | 455.455 |
| - Collaterals | 489.696 | 1.623 | 3.541 | 445.883 |
| - Pledges | -- | -- | -- | -- |
| - Mortgages | 9.572 | -- | -- | 9.572 |
| - Letter of credit | 42.678 | 2.551 | 2.659 | -- |
| B. Total amount of CPM given in behalf of fully consolidated companies | -- | -- | -- | -- |
| C. Total amount of CPM given for continuation of its economic activities on behalf of third parties | -- | -- | -- | -- |
| D. Total amount of other CPM | -- | -- | -- | -- |
| **Total CPM** | **541.946** | **4.174** | **6.200** | **455.455** |

| | 31 December 2019 | | | |
|---|---|---|---|---|
| CPMs given by the Company | | | | |
| | TL equivalent | USD | Euro | TL |
| A. Total amount of CPM given on behalf of own legal personality | 431.907 | 7.026 | 4.793 | 358.293 |
| - Collaterals | 418.804 | 6.976 | 4.307 | 348.721 |
| - Pledges | -- | -- | -- | -- |
| - Mortgages | 9.572 | -- | -- | 9.572 |
| - Letter of credit | 3.531 | 50 | 486 | -- |
| B. Total amount of CPM given in behalf of fully consolidated companies | -- | -- | -- | -- |
| C. Total amount of CPM given for continuation of its economic activities on behalf of third parties | -- | -- | -- | -- |
| D. Total amount of other CPM | -- | -- | -- | -- |
| **Total CPM** | **431.907** | **7.026** | **4.793** | **358.293** |

The ratio of other CPM given on behalf of third parties except for the CPM given on behalf of the Company's own legal personality to total equity is 0% as at 31 December 2020 (31 December 2019: 0%).

As at 31 December 2020 and 31 December 2019, the Company is contingently liable in respect of bank letter of guarantees obtained from banks mainly given to lessors in accordance with the lease agreements, enforcement office related to ongoing lawsuits and custom related to import transactions.

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

### NOTE 18 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current and non-current assets as at 31 December 2020 and 2019 are as follows:

| Other current assets | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Advances given | 3.210 | 482 |
| Personnel advances | 114 | 132 |
| Deferred vat | -- | 23.989 |
| Other current assets | 1.623 | 289 |
| | **4.947** | **24.892** |

| Other current liabilities | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Value added tax ("VAT") payable | 13.023 | -- |
| Other expense accruals (*) | 5.646 | 2.237 |
| Other liabilities and obligations | 877 | 546 |
| | **19.546** | **2.783** |

(*) Other expense accruals comprised of irrecoverable gift checks which were given and used Teknosacell subscription who withdraw subscription subsequently and other various expense accruals.

### NOTE 19 – SHAREHOLDERS' EQUITY

The Company's approved and the issued share capital consists of 11.000.000.000 shares of 1 Kr nominal value.

The details of the shareholder's equity structure as at 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Share | % | Share | % |
| Hacı Ömer Sabancı Holding A.Ş. | 55.000 | 50,0000% | 66.310 | 60,28228 |
| Dilek Sabancı | -- | -- | 5.735 | 5,21327 |
| Other | 55.000 | 50,0000% | 37.955 | 34,50445 |
| **Nominal share capital** | **110.000** | **100** | **110.000** | **100** |
| Adjustment for capital | 6.628 | 6.628 | | |
| **Adjusted capital** | **116.628** | | **116.628** | |

Shares of Hacı Ömer Sabancı Holding A.Ş. with a nominal value of TL 11.310, representing 10,28% of the company's capital, were listed on the stock exchange and offered to the public. The share of Hacı Ömer Sabancı Holding A.Ş. in the capital of the Company has been 50% as of 31 December 2020. (31 December 2019: 60,2823%)

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

## NOTE 19 – SHAREHOLDERS' EQUITY (CONTINUED)

### Restricted reserves

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

Legal reserves as mentioned above shall be classified as "Restricted Reserves Appropriated from Profit" according to Capital Markets Board financial reporting standards. The details of legal reserves are stated below as of 31 December 2020 and 2019:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Legal reserves | 8.704 | 8.704 |
| | **8.704** | **8.704** |

### Profit Distribution

Public companies distribute profit in accordance with Profit Share Communique no II-19.1 issued by CMB effective from 1 February 2014.

Companies distribute their profit due to profit distribution policies set by the general assembly in accordance with the related legislation verdicts with a general assembly minute. Within the extent of the communique mentioned above a minimal distribution rate is not designated. Companies distribute their profits in accordance with their main agreements of profit distribution policies.

### Other comprehensive income that will not be reclassified to profit or loss

*Gains on revaluation of property, plant and equipment*

It consist from other comprehensive income of gains on revaluation of property, plant and equipment reserves that is not associated with profit and loss.

The movements of revaluation of property,plant and equipment for the year ended 31 December 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Opening balance | 28.149 | 27.209 |
| Fair value increase | 2.972 | 940 |
| **Closing Balance** | **31.121** | **28.149** |

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

## NOTE 19 – SHAREHOLDERS' EQUITY (CONTINUED)

*Gain / (losses) on remeasurement of defined benefit plans*

As of 31 December 2020, actuarial loss amounting to TL 6.244 (31 December 2019: TL 4.282) is recognized as other comprehensive income.

## NOTE 20 - REVENUE

The details of revenue and cost of revenue for the year ended 31 December 2020 and 2019 are as follows:

| **Revenue (net)** | **1 January – 31 December 2020** | **1 January – 31 December 2019** |
|---|---|---|
| Retail sales | 4.309.312 | 3.619.817 |
| E-Commerce Sales | 1.011.297 | 284.396 |
| Dealer sales | 285.910 | 232.758 |
| | **5.606.519** | **4.136.971** |

| **Cost of revenue** | **1 January – 31 December 2020** | **1 January – 31 December 2019** |
|---|---|---|
| Cost of trading goods sold | (4.660.121) | (3.402.864) |
| Installation and warranty expenses | (15.715) | (19.510) |
| | **(4.675.836)** | **(3.422.374)** |

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

## NOTE 21 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for the year ended 31 December 2020 and 2019 are as follows:

| Marketing expenses | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| Personnel expenses | (176.349) | (172.025) |
| Depreciation and amortisation expenses | (104.368) | (113.430) |
| Rent expenses | (81.507) | (62.737) |
| Advertising and promotion expenses | (57.790) | (57.739) |
| Transportation expenses | (30.178) | (21.924) |
| Consultancy expenses | (21.181) | (13.258) |
| Energy, fuel and water expenses | (12.608) | (16.073) |
| Maintenance and cleaning expenses | (8.117) | (6.733) |
| Communication expenses | (1.182) | (1.208) |
| Travel and accommodation expenses | (507) | (1.183) |
| Other expenses | (18.341) | (15.956) |
| | **(512.128)** | **(482.266)** |

The details of administrative expenses for the year ended 31 December 2020 and 2019 are as follows:

| General administrative expenses | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| Personnel expenses | (27.495) | (16.902) |
| Depreciation and amortisation expenses | (14.446) | (19.868) |
| IT expenses | (16.909) | (12.006) |
| Consultancy expenses | (4.092) | (5.041) |
| Rent expenses | (956) | (386) |
| Maintenance and cleaning expenses | (765) | (572) |
| Travel expenses | (244) | (449) |
| Energy, fuel, water expenses | (70) | (139) |
| Other expenses | (1.933) | (1.747) |
| | **(66.910)** | **(57.110)** |

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

## NOTE 22 – OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

The details of other income from operating activities for the year ended 31 December 2020 and 2019 are as follows:

| Other income from main operating activities | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| Concessions on lease payments. (**) | 30.003 | -- |
| Foreign exchange gains | 16.299 | 8.972 |
| Interest Income | 15.002 | 18.292 |
| Gift checks | 2.181 | 1.313 |
| Impairment/cancellation of fixed asset (net) | 1.907 | 2.831 |
| Income from personnel | 1.193 | 771 |
| Reversal of provisions for cancellation of rent agreements (*) | 285 | 1.226 |
| Other income | 5.600 | 5.881 |
| | **72.470** | **39.286** |

(*) Reversal of provisions for cancellation of rent agreements is comprised of the remaining amount released as a result of a settlement or the penalty payments with a discount to the landlords.
(**) Concessions on lease payments consist of store rents within the scope of TFRS 16, which are discounted or not paid during April and May 2020, when the stores are closed due to Covid-19.

The details of other expense from operating activities for the year ended 31 December 2020 and 2019 are as follows:

| Other expense from operating activities | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| Interest expense on payables | (81.958) | (141.067) |
| Foreign exchange losses | (13.778) | (13.468) |
| Litigation expenses | (2.142) | (5.341) |
| Early termination rent penalties | -- | (3.633) |
| Other expenses and losses | (16.459) | (9.419) |
| | **(114.337)** | **(172.928)** |

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

## NOTE 23 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of investment income/expense for the year ended 31 December 2020 and 2019 are as follows:

*Income from investing activities*

| | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| Interest income on time deposit | 12.024 | 124 |
| Gain from sale of fixed asset | 45 | 86 |
| Investment property revaluation gain (Note 12) | 388 | 1.514 |
| | **12.457** | **1.724** |

*Expense from investing activities*

The details of other expenses from operating activities for the year ended 31 December 2020 and 2019 are as follows:

| | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| Loss from sale of fixed assets | (2.898) | (8.404) |
| Investment property revaluation loss (Note12) | -- | (560) |
| | **(2.898)** | **(8.964)** |

## NOTE 24 – FINANCE COSTS

The details of finance costs for the year ended 31 December 2020 and 2019 are as follows:

| | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| Credit card commission expenses | (106.791) | (101.366) |
| Interest expense due lease liabilities | (61.421) | (76.527) |
| Interest and commission expenses | (41.652) | (33.627) |
| Guarantee letters commission expenses | (2.160) | (1.673) |
| Foreign exchange expenses | (2.027) | (2.073) |
| Other finance costs | (686) | (283) |
| | **(214.737)** | **(215.549)** |

The details of finance income for the year ended 30 September 2020 and 2019 are as follows:

| | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| Foreign exchange income | 6.881 | 761 |
| | **6.881** | **761** |

## NOTE 25 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

### Corporate income tax:

The Company is subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month.

In Turkey, corporate tax rate is 22% as of 31 December 2020 (2019: 22%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2019: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2020. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

Within the scope of the aforementioned amendment, deferred tax assets and liabilities in the financial statements dated December 31, 2020 are calculated with a rate of 20% for the part of temporary differences that will create tax effects in 2021 and following periods.

In Turkey, losses can be carried forward for a maximum period of five years to offset against future taxable income. Tax authorities may, however, inspect tax returns and the related accounting records and may revise assessments within five years.

Turkey the joint-stock companies, corporation tax and income not liable for the tax and those made to those except for exempted who are resident in Turkey and non-natural persons and dividend payments to legal persons not resident in Turkey are subject to 15% income tax.

Dividend payments made to resident corporations from resident corporations in Turkey are not subject to income tax. In addition, no income tax is calculated if the profit is not distributed or added to the capital.

As of 31 December 2020 and 2019, the Company has no income tax liabilities.

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

### NOTE 25 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (CONTINUED)

*Corporate income tax (continued):*

Dividend earnings (excluding dividends obtained from mutual funds participation certificates and investment trusts' shares) obtained by corporations from participating in the capital of another corporation subject to full liability are exempt from corporation tax. Additionally, 75% of the gains arising from the sale of the shares, founding notes, usufruct shares and pre-emptive rights of the properties (real estates) owned by the corporations for at least two full years in the assets of the shares held for the same period are exempt from corporate tax. However, with the amendment made to the Law No. 7061, this ratio has been reduced from 75% to 50% in terms of immovables and this ratio will be used as 50% for the immovables to be prepared as of 2018.

In order to benefit from the exception, the income in question must be kept in a passive fund account and not withdrawn from the business for a period of 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale was made.

There is not an application to reconcile with the tax authorities about the tax payable in Turkey. Corporate tax returns are submitted within four months following the closing month of the accounting period. Authorities competent for tax inspection can examine tax returns and the underlying accounting records for five years following the fiscal period, and re-assess as a result of their findings.

Tax income / (expenses) for the year ended 31 December 2020 and 2019 are as follows:

| | 1 January – 31 December 2020 | 1 January – 31 December 2019 |
|---|---|---|
| **Tax expense:** | | |
| Corporate tax expense of the current period | -- | -- |
| **Deferred tax expenses:** | | |
| Deferred tax (expenses) / income from temporary differences | (25.912) | 29.253 |
| | **(25.912)** | **29.253** |

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

### NOTE 25 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (CONTINUED)

*Deferred tax assets and liabilities*

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

The details of the deferred tax assets and liabilities calculation by using effective tax rates for the year ended 31 December 2020 and 2019 is as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Prior year losses | 27.155 | 54.143 |
| Right of use asset/lease liabilities | 10.473 | 7.863 |
| Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets | (8.547) | (6.844) |
| Inventories | 8.292 | 8.187 |
| Expense accruals | 5.232 | 4.002 |
| Discount income | (3.783) | (2.195) |
| Provision for employment termination benefits | 2.606 | 1.755 |
| Litigations | 1.420 | 1.500 |
| Provision for cancellation of rent agreements | 1.229 | 529 |
| Provision for reconciliation differences | 1.220 | 1.342 |
| Provision for unused vacations | 955 | 788 |
| Income accruals | (892) | (832) |
| Withdrawal fees | 366 | 362 |
| Discount expenses | 235 | 108 |
| Warrantly expenses | 27 | 93 |
| Other | (823) | 116 |
| **Total deferred tax assets / (liabilities)** | **45.165** | **70.917** |

The movements of deferred tax asset as of 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Opening balance at 1 January | 70.917 | 41.498 |
| Current year (loss) / income | (25.912) | 29.253 |
| Other comprehensive income / (loss) | 160 | 166 |
| **Closing balance at 31 December** | **45.165** | **70.917** |

At the balance sheet date, the Company has unused tax losses of TL 135.773 (2019 TL 270.714) available for offset against future profits. A deferred tax asset has been recognized in respect of TL 27.155 (2019: TL 54.143) of such losses.

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

## NOTE 25 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (CONTINUED)

*Carry forward lax losses*

The expiration dates of such carry forward tax losses are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Expires at 2021 | -- | 94.668 |
| Expires at 2023 | 8.350 | 48.623 |
| Expires at 2024 | 127.423 | 127.423 |
| | **135.773** | **270.714** |

The reconciliation of the current period tax (expenses) / income and operating profit as follows

| | | 31 December 2020 | | 31 December 2019 |
|---|---|---|---|---|
| Operatıng profıt/ (loss) before ıncome tax | | 111.208 | | (177.888) |
| Effective tax rate | | %22 | | %22 |
| Calculated tax | | (24.466) | | 39.135 |
| Reconciliation of tax provision: | (%3) | (2.272) | %1 | (2.667) |
| *-Exemptions and discounts* | | | | |
| *- Permanent differences not included in deferred tax calculation* | -- | -- | %2 | *(4.209)* |
| *-Reversal of previous year tax losses* | -- | -- | -- | *(439)* |
| *-Effect of change in tax rate* | *%1* | *763* | *%1* | *(2.548)* |
| *-Other* | -- | *63* | -- | *(19)* |
| **Tax (expenses) / income on income statement** | **(%23)** | **(25.912)** | **(%16)** | **29.253** |

## NOTE 26 – EARNINGS / (LOSS) PER SHARE

Weighted average number of shares and basic earnings per share for the year ended 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the period (in full) | 11.000.000.000 | 11.000.000.000 |
| Profit/(loss) for the year attributable to owners of | | |
| the company | 85.296 | (148.634) |
| Basic (loss) / earnings per share from continuing operations | | |
| -thousands of ordinary shares (thousands TL) | 0,0078 | (0,0135) |
| Basic (loss) / diluted earnings per share from continuing operations | | |
| -thousands of ordinary shares (thousands TL) | 0,0078 | (0,0135) |

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

### NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### a) Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total payables (including borrowings, trade payables, due to related parties and advances received, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Total financial liabilities | 636.464 | 463.159 |
| Minus: Cash and cash equivalents | (392.201) | (37.267) |
| **Financial liabilities,net** | **244.263** | **425.892** |
| Total equity | (165.546) | (251.852) |
| **Financial liabilities,net / equity** | **(%148)** | **(%169)** |

#### b) Financial risk factors

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Significant part of trade receivables comprise credit card receivables and the Company has is not exposed to credit risk concerning credit card receivables. The Company collects the instalments of its credit card sales according to the mutually agreed discount rates with the banks and financial institutions on the nest day when the sale made within the scope of the credit card sales contracts made under the various banks and financial institutions. Other trade receivables, cheques and notes are due from dealer sales of air-conditioning, cash register and white goods. The Company has set up an effective control system on the dealers that are followed by credit risk management and each debtors have their own credit limit. The Company consider the past experience and collateral from dealers (Note 7).

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

## NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk factors (continued)

#### b.1) Credit risk management

The credit risk as a financial risk factors as at 31 December 2020 is as follows:

| | Receivables | | | |
|---|---|---|---|---|
| Credit risk of financail instruments | Trade Receivables | | Other Receivables | |
| 31 December 2020 | Related Parties | Third Parties | Third Parties | Deposits at bank and credit card receivables |
| Maximum credit risk as of balance sheet date (*) | 14.883 | 88.414 | 571 | 389.259 |
| -The part of maximum risk under guarantee with collateral etc. (**) | -- | 76.787 | -- | -- |
| A.Net book value of financial assets that are neither past due nor impaired. | 641 | 78.217 | 571 | 389.259 |
| B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired | 14.242 | 2.935 | -- | -- |
| C.Net book value of impaired assets | -- | -- | -- | -- |
| - Past due (gross carrying amount) | -- | 7.262 | -- | -- |
| '- Impairment (-) | -- | (7.262) | -- | -- |
| '- The part of net value under guarantee with collateral etc. | -- | -- | -- | -- |
| - Not past due (gross carrying amount) | -- | -- | -- | -- |
| '- Impairment (-) | -- | -- | -- | -- |
| '- The part of net value under guarantee with collateral etc. | -- | -- | -- | -- |
| | | -- | | |
| D. Off-balance sheet items with credit risk | -- | -- | -- | -- |

(*)Guarantees received and other factors increasing loan reliability are not considered in determining this amount.
(**)Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

## NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk factors (continued)

#### b.1) Credit risk management (continued)

The credit risk as a financial risk factors as at 31 December 2019 is as follows:

| | Receivables | | | |
|---|---|---|---|---|
| Credit risk of financail instruments | Trade Receivables | | Other Receivables | |
| 31 December 2019 | Related Parties | Third Parties | Third Parties | Deposits at bank and credit card receivables |
| Maximum credit risk as of balance sheet date [*] | 677 | 65.685 | 496 | 34.591 |
| -The part of maximum risk under guarantee with collateral etc. [**] | -- | 83.592 | -- | -- |
| A.Net book value of financial assets that are neither past due nor impaired. | 677 | 54.324 | 496 | 34.591 |
| B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired | | | | |
| C.Net book value of impaired assets | -- | -- | -- | -- |
| - Past due (gross carrying amount) | -- | 6.989 | -- | -- |
| '- Impairment (-) | -- | (6.989) | -- | -- |
| '- The part of net value under guarantee with collateral etc. | -- | -- | -- | -- |
| - Not past due (gross carrying amount) | -- | -- | -- | -- |
| '- Impairment (-) | -- | -- | -- | -- |
| '- The part of net value under guarantee with collateral etc. | -- | -- | -- | -- |
| D. Off-balance sheet items with credit risk | -- | -- | -- | -- |

[*]Guarantees received and other factors increasing loan reliability are not considered in determining this amount.
[**]Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

### NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

**b) Financial risk factors (continued)**

Explanations on the credit quality of financial assets

As of 31 December 2020 and 2019, banks which contain cash and cash equivalents that are included in the neither overdue nor impaired financial assets have mostly high credit ratings, whereas the counterparties included in trade receivables in the same category are customers / related parties with whom the Company has been in relation for a long time and did not have any significant collection problems.

Aging of receivables that are past due but not impaired are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Past due 1-30 days | 10.630 | 1.718 |
| Past due1-3 months | 6.025 | 1.424 |
| Past due 3-12 months | 522 | 1.230 |
| **Total past due receivables** | **17.177** | **4.372** |

| | | |
|---|---|---|
| The part of maximum risk under guarantee with collateral. | 2.011 | 2.535 |

*b.2) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management monitors the Company's liquidity reserve movements according to their projected cash flows.

The Company management holds adequate cash, credit commitment and credit card receivables that will meet the need for cash for recent future in order to manage its liquidity risk. In this context, the Company has credit commitment agreements (monetary and non-monetary) from banks amounting to TL 3.298.000 that the Company can utilize whenever needed as of 31 December 2020 (2019: TL 2.346.635).

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

## NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk factors (continued)

The table below shows the Company's liquidity risk arising from financial liabilities:

| 31 December 2020 | Book value | Total contract based cash outflow (I+II+III) | Less than 3 months (I) | 3 to 12 months (II) | 1 to 5 years (III) |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | |
| Trade payables | 1.386.364 | 1.386.364 | 1.386.364 | -- | -- |
| *Related parties* | *6.578* | *6.578* | *6.578* | -- | -- |
| *Third parties* | *1.379.786* | *1.379.786* | *1.379.786* | -- | -- |
| Loans | 370.058 | 370.058 | 104.492 | 265.566 | -- |
| Lease Liabilities | 266.406 | 266.406 | 22.860 | 75.546 | 168.000 |
| Other payables | 2.913 | 2.913 | 2.913 | -- | -- |
| **Total liabilities** | **2.025.741** | **2.025.741** | **1.516.629** | **341.112** | **168.000** |

| 31 December 2019 | Book value | Total contract based cash outflow (I+II+III) | Less than 3 months (I) | 3 to 12 months (II) | 1 to 5 years (III) |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | |
| Trade payables | 1.232.640 | 1.232.640 | 1.232.640 | -- | -- |
| *Related parties* | *5.475* | *5.475* | *5.475* | -- | -- |
| *Third parties* | *1.227.165* | *1.227.165* | *1.227.165* | -- | -- |
| Loans | 105.521 | 105.521 | 105.521 | -- | -- |
| Lease Liabilities | 357.638 | 357.638 | 20.658 | 84.720 | 272.918 |
| Other payables | 2.349 | 2.349 | 2.349 | -- | -- |
| **Total liabilities** | **1.698.148** | **1.698.148** | **1.361.168** | **84.720** | **272.918** |

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

## NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk factors (continued)

#### Foreign currency risk

As the Company primarily purchases from domestic vendors in TL, the Company is exposed to limited foreign exchange risk.

The risk is monitored by the Board of Directors in regular meetings. The idle cash is invested in foreign currency in order to minimise the foreign exchange risk resulted from balance sheet items. The Company also manages the foreign currency risk by limited use of forward contracts, which is one of derivative instruments, if necessary.

| Foreign Currency Position | 31 December 2020 | | | |
|---|---|---|---|---|
| | TL equivalent | USD | EUR | Other |
| 1. Trade receivable | 2.702 | 304 | 52 | -- |
| 2a.Monetary financial assets (including cash on hand and bank accounts) | 8.697 | 547 | 520 | -- |
| 2b.Non monetary financial assets | -- | -- | -- | -- |
| 3. Other | 3.322 | 451 | 1 | -- |
| **4. CURRENT ASSETS (1+2+3)** | **14.721** | **1.302** | **573** | **--** |
| 5. Trade receivables | -- | -- | -- | -- |
| 6a. Monetary financial assets | -- | -- | -- | -- |
| 6b. Non monetary financial assets | -- | -- | -- | -- |
| 7. Other | 411 | 56 | -- | -- |
| **8. NON CURRENT ASSETS (5+6+7)** | **411** | **56** | **--** | **--** |
| **9. TOTAL ASSETS (4+8)** | **15.132** | **1.358** | **573** | **--** |
| 10. Trade payables | (33.729) | (2.328) | (1.847) | (26) |
| 11. Financial liabilities | -- | -- | -- | -- |
| 12a. Other monetary liabilities | -- | -- | -- | -- |
| 12b. Non monetary other liabilities | (2.755) | (373) | (2) | -- |
| **13. CURRENT LIABILITIES (10+11+12)** | **(36.484)** | **(2.701)** | **(1.849)** | **(26)** |
| 14. Trade payables | -- | -- | -- | -- |
| 15. Financial liabilities | -- | -- | -- | -- |
| 16a. Monetary other liabilities | -- | -- | -- | -- |
| 16b. Non monetary other liabilities | -- | -- | -- | -- |
| **17. NON CURRENT LIABILITIES (14+15+16)** | **--** | **--** | **--** | **--** |
| **18. TOTAL LIABILITIES (13+17)** | **(36.484)** | **(2.701)** | **(1.849)** | **(26)** |
| **19. Net position of financial statement (9+18)** | **(21.352)** | **(1.343)** | **(1.276)** | **(26)** |
| **20. Net position of foreign currency derrivatives** | **--** | **--** | **--** | **--** |
| **21. Net position of foreign currency asset / (liability) (19+20)** | **(21.352)** | **(1.343)** | **(1.276)** | **(26)** |
| **22. Net position of monetary foreign currency asset / (liability) (TFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)** | **(22.330)** | **(1.477)** | **(1.275)** | **(26)** |

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

### NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

**b) Financial risk factors (continued)**

Foreign currency risk (continued)

| **Foreign Currency Position** | **31 December 2019** | | | |
|---|---|---|---|---|
| | **TL equivalent** | **USD** | **EUR** | **Other** |
| 1. Trade receivable | 1.944 | 269 | 52 | -- |
| 2a.Monetary financial assets (including cash on hand and bank accounts) | 2.908 | 175 | 281 | -- |
| 2b.Non monetary financial assets | -- | -- | -- | -- |
| 3. Other | -- | -- | -- | -- |
| **4. CURRENT ASSETS (1+2+3)** | **4.852** | **444** | **333** | **--** |
| 5. Trade receivables | -- | -- | -- | -- |
| 6a. Monetary financial assets | -- | -- | -- | -- |
| 6b. Non monetary financial assets | 351 | 58 | 1 | -- |
| 7. Other | -- | -- | -- | -- |
| **8. NON CURRENT ASSETS (5+6+7)** | **351** | **58** | **1** | **--** |
| **9. TOTAL ASSETS (4+8)** | **5.203** | **502** | **334** | **--** |
| 10. Trade payables | (12.051) | (1.526) | (449) | -- |
| 11. Financial liabilities | -- | -- | -- | -- |
| 12a. Other monetary liabilities | -- | -- | -- | -- |
| 12b. Non monetary other liabilities | (2.193) | (367) | (2) | -- |
| **13. CURRENT LIABILITIES (10+11+12)** | **(14.244)** | **(1.893)** | **(451)** | **-** |
| 14. Trade payables | -- | -- | -- | -- |
| 15. Financial liabilities | -- | -- | -- | -- |
| 16a. Monetary other liabilities | -- | -- | -- | -- |
| 16b. Non monetary other liabilities | -- | -- | -- | -- |
| **17. NON CURRENT LIABILITIES (14+15+16)** | **--** | **--** | **--** | **--** |
| **18. TOTAL LIABILITIES (13+17)** | **(14.244)** | **(1.893)** | **(451)** | **-** |
| **19. Net position of financial statement (9+18)** | **(9.041)** | **(1.391)** | **(117)** | **--** |
| **20. Net position of foreign currency derrivatives** | **--** | **--** | **--** | **--** |
| **21. Net position of foreign currency asset / (liability) (19+20)** | **(9.041)** | **(1.391)** | **(117)** | **--** |
| **22. Net position of monetary foreign currency asset / (liability) (TFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)** | **(9.392)** | **(1.449)** | **(118)** | **--** |

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

## NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk factors (continued)

Foreign currency risk (continued)

*Foreign currency sensitivity*

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

| **Foreign Currency Sensitivity Table** | **31 December 2020** | |
|---|---|---|
| | **Profit / Loss** | |
| | **Appreciation of foreign currencies** | **Depreciation of foreign currencies** |
| In case 10% appreciation of USD against TL | | |
| 1 - USD Dollars net assets/liabilities | (986) | 986 |
| 2- Amount hedged for USD risk (-) | -- | -- |
| **3- USD net effect (1 +2)** | **(986)** | **986** |
| In case 10% appreciation of EUR against TL | | |
| 4 - EUR net assets/liabilities | (1.149) | 1.149 |
| 5 - Amount hedged for EUR risk (-) | -- | -- |
| **6- EUR net effect (4+5)** | **(1.149)** | **1.149** |
| In case 10% appreciation of other currency against TL | | |
| 7- Net assets/liabilities in other foreign currency | -- | -- |
| 8- Amount hedged for other currency risk (-) | -- | -- |
| **9- Other currency assets net effect (7+8)** | **--** | **--** |
| **TOTAL (3 + 6 +9)** | **(2.135)** | **2.135** |

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

## NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk factors (continued)

Foreign currency risk (continued)

| Foreign Currency Sensitivity Table | 31 December 2019 | |
|---|---|---|
| | Profit / Loss | |
| | Appreciation of foreign currencies | Depreciation of foreign currencies |
| In case 10% appreciation of USD against TL | | |
| 1 - USD Dollars net assets/liabilities | (826) | 826 |
| 2- Amount hedged for USD risk (-) | -- | -- |
| **3- USD net effect (1 +2)** | **(826)** | **826** |
| In case 10% appreciation of EUR against TL | | |
| 4 - EUR net assets/liabilities | (78) | 78 |
| 5 - Amount hedged for EUR risk (-) | -- | -- |
| **6- EUR net effect (4+5)** | **(78)** | **78** |
| In case 10% appreciation of other currency against TL | | |
| 7- Net assets/liabilities in other foreign currency | 1 | (1) |
| 8- Amount hedged for other currency risk (-) | -- | -- |
| **9- Other currency assets net effect (7+8)** | **1** | **(1)** |
| **TOTAL (3 + 6 +9)** | **(905)** | **905** |

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

### NOTE 28 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

As at 31 December, fair value and carrying amounts of assets and liabilities are shown in the table below:

| 31 December 2020 | Financial assets at amortized cost | Financial assets and liabilities measured by reflecting FV difference in other comprehensive income | Financial liabilities at amortised cost | Book value | Note |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 392.201 | -- | -- | 392.201 | 5 |
| Trade receivables (including due from related parties) | 103.297 | -- | -- | 103.297 | 7 |
| Other receivables | 571 | -- | -- | 571 | 8 |
| **Financial liabilities** | | | | | |
| Financial liabilities | -- | -- | 370.058 | 370.058 | 6 |
| Lease liabilities | | | 266.406 | 266.406 | 6 |
| Trade payables (including due to related parties ) | -- | -- | 1.386.364 | 1.386.364 | 7 |
| Other payables | -- | -- | 2.913 | 2.913 | 8 |

| 31 December 2019 | Financial assets at amortized cost | Financial assets and liabilities measured by reflecting FV difference in other comprehensive income | Financial liabilities at amortised cost | Book value | Note |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 37.267 | -- | -- | 37.267 | 5 |
| Trade receivables (including due from related parties) | 66.362 | -- | -- | 66.362 | 7 |
| Other receivables | 496 | -- | -- | 496 | 8 |
| **Financial liabilities** | | | | | |
| Financial liabilities | -- | -- | 105.521 | 105.521 | 6 |
| Lease liabilities | -- | | 357.637 | 357.637 | 6 |
| Trade payables (including due to related parties ) | -- | -- | 1.232.640 | 1.232.640 | 7 |
| Other payables | -- | -- | 2.349 | 2.349 | 8 |

The Company management assumes that the carrying values of the financial assets and liabilities are close to their fair value because of their short-term nature.

## NOTE 29 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON THE FINANCIAL STATEMENTS OR BE EXPLAINED FOR THE CLEAR, INTERPRETABLE AND UNDERSTANDABLE OF THE FINANCIAL STATEMENTS

The Covid-19 outbreak, which was declared as a pandemic by the World Health Organization (WHO) on 11 March 2020, and the measures taken against the pandemic continue to cause disruptions in operations and negatively affect economic conditions in all countries exposed to the pandemic. As a result, asset prices, liquidity, exchange rates, interest rates and many other issues are affected and remain uncertain about the future due to pandemic effects. The Company management follow-up in detail the possible effects of the Covid-19 pandemic on the Company's operations, financial status, financial performance and cash flows in all respects, and detailed evaluations are made and necessary actions are taken in order to minimize its effects.

The stores were temporarily closed as of 22 March 2020, considering the public and employee health. However, during this period, the Company have continued its activities with sales made through the teknosa.com and corner stores opened in stores of Carrefoursa. Company activities on the online channel have increased their impact and importance on financial and operational terms compared to previous periods.

During the period when the stores were closed within the scope of Covid-19 measures, concessions were provided in lease payments by mutual meetings with the property owners and short-time working allowance was applied for the employees who met the conditions. The Company has also taken precautions and made plans to provide a healthy sales and shopping environment initiated by start of the normalization process.

Most of the stores reopened on 1 June 2020. As of 12 June 2020, the opening of all stores was completed, and the Company have continued to sell in multiple channels including 23 corner stores opened in Carrefoursa stores. As of November , measure taken against pandemic in Turkey and worldwide has been increased and led to weekend curfews in December 2020, which caused store closures during weekends. It remains unpredictable how long and how the social and economic impacts of this pandemic in Turkey and the world will continue to.

While preparing the interim financial statements dated 31 December 2020, the company evaluated the possible effects of the Covid-19 epidemic on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, the Company has tested possible impairments that may occur in the financial and non-financial assets in the financial statements and no impairment has been identified.

As of the date of the report, there are no important issues affecting the Company's activities and financial statements except those described in the financial statements.

## NOTE 30 – EVENTS AFTER THE REPORTING PERIOD

There is ongoing process in order to utilize the income generated by the sale of share belonging to Hacı Ömer Sabancı Holding A.Ş. which represents 10,28% of the Company's capital in planned capital increase.In this context, the capital ceiling has been redefined as 300.000 TL to be valid for the years 2021-2025.

The Company has closed 1 store and made revision 1 store dates between balance sheet date and 16 February 2021, As a result of these store closures, the Company's retail space increased by 88 square meters.

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