TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 WITH INDEPENDENT AUDITOR'S REVIEW REPORT

(Originally issued in Turkish)

6 August 2019

This report includes 2 pages of independent auditors' review report and 38 pages of condensed financial statements and notes to the condensed financial statements.

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TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

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

		Current period	Prior period
		Reviewed	*Audited*
	Notes	**30 June 2019**	**31 December 2018**
ASSETS			
Current assets		**816.878**	**592.569**
Cash and cash equivalents	*5*	49.920	26.987
Trade receivables	*7*	87.917	65.775
Trade receivables from related parties	*4*	*2.925*	*1.764*
Trade receivables from third parties	*7*	*84.992*	*64.011*
Inventories	*8*	656.438	492.677
Prepaid expenses	*9*	5.802	6.003
Other current assets	*17*	16.801	1.127
Non-current assets		**552.486**	**167.856**
Other receivables		571	581
Investment property	*10*	8.929	8.929
Right of use assets	*11*	357.853	--
Property, plant and equipment	*12*	82.355	89.584
Intangible assets	*13*	37.031	26.999
Prepaid expenses	*9*	94	265
Deferred tax assets		65.653	41.498
TOTAL ASSETS		**1.369.364**	**760.425**

Accompanying notes are an integral part of these condensed interim financial information.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	**Current** *Reviewed* **30 June 2019**	**Prior period** *Audited* **31 December 2018**
LIABILITIES			
Current liabilities		**1.211.428**	**855.233**
Short-term loans and borrowings	*6*	135.730	8.500
Short portion of long-term rent liabilities		32.705	--
Short portion of long-term rent liabilities to related parties	*4*	*391*	--
Short portion of long-term rent liabilities to third parties		*32.314*	--
Trade payables	*7*	986.335	777.142
Trade payables to related parties	*4*	*1.376*	*4.738*
Trade payables to third parties	*7*	*984.959*	*772.404*
Payables related to employee benefits	*14*	20.746	15.643
Other payables		2.286	1.990
Other payables to third parties		*2.286*	*1.990*
Deferred revenue	*9*	12.780	12.532
Short-term provisions		18.157	22.681
Short-term provisions for employee benefits	*14*	*8.168*	*7.329*
Other short-term provisions	*15*	*9.989*	*15.352*
Derivatives	*23*	1.107	--
Other current liabilities	*17*	1.582	16.745
Non-current liabilities		**356.070**	**8.270**
Long-term rent liabilities		346.859	--
Long-term rent liabilities to related parties	*4*	*4.142*	--
Long-term rent liabilities to third parties		*342.717*	--
Long-term provisions for employee benefits	*14*	9.211	8.270
EQUITY		**(198.134)**	**(103.078)**
Share capital		110.000	110.000
Adjustments to share capital		6.628	6.628
Restricted reserves		8.704	8.704
Other reserves		3	3
Other comprehensive income that are or may be reclassified to profit or loss		(863)	--
Cash flow hedge reserve		*(863)*	--
Other comprehensive income that will not be reclassified to profit or loss		24.008	24.008
Gains on revaluation of property, plant and equipment		*27.209*	*27.209*
Losses on remeasurement of defined benefit plans		*(3.201)*	*(3.201)*
Accumulated losses		(252.421)	(187.812)
Net profit/(loss) for the period		(94.193)	(64.609)
TOTAL LIABILITIES		**1.369.364**	**760.425**

Accompanying notes are an integral part of these condensed interim financial information.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SİX MONTH PERIOD ENDED 30 JUNE 2019

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

		Current period	Current period	Prior period	Prior period
		Reviewed	*Reviewed*	*Reviewed*	*Reviewed*
	Notes	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
Revenue	*18*	1.842.761	1.002.079	1.697.431	890.920
Cost of revenue (-)	*18*	(1.522.935)	(823.991)	(1.400.338)	(738.913)
GROSS PROFIT		**319.826**	**178.088**	**297.093**	**152.007**
Marketing expenses (-)	*19*	(235.005)	(119.942)	(225.600)	(117.881)
General administrative expenses (-)	*19*	(30.943)	(15.775)	(27.358)	(12.864)
Other income from operating activities	*20*	19.204	10.242	22.767	17.955
Other expenses from operating activities (-)	*20*	(96.206)	(52.870)	(42.506)	(24.557)
OPERATING PROFIT		**(23.124)**	**(257)**	**24.396**	**14.660**
Income from investing activities	*21*	387	(221)	63	350
Expenses from investing activities (-)	*21*	(6)	259	(17)	--
Impairment gain/ (loss) and reversal of impairment determined in accordance with TFRS 9		(90)	(36)	110	(10)
OPERATING PROFIT BEFORE FINANCE EXPENSE		**(22.833)**	**(255)**	**24.552**	**15.000**
Finance expenses (-)	*22*	(95.271)	(52.388)	(34.713)	(19.675)
OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX		**(118.104)**	**(52.643)**	**(10.161)**	**(4.675)**
Tax (expense)/income					
- Current tax expense		**--**	**--**	**--**	**--**
- Deferred tax (expense)/income		23.911	10.680	26	(1.120)
PROFIT/(LOSS) FOR THE PERIOD		**(94.193)**	**(41.963)**	**(10.135)**	**(5.795)**
Attributable to:					
Non-controlling interests		--	--	--	--
Owners of the Company		**(94.193)**	**(41.963)**	**(10.135)**	**(5.795)**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss		**--**	**--**	**5**	**--**
Gains/(losses) on remeasurement of defined benefit plans		--	--	*6*	--
Income tax related to items that will not be reclassified to profit or loss		--	--	*(1)*	--
Items that are or may be reclassified to profit or loss		**(863)**	**(1.881)**	**237**	**(11)**
Losses on cash flow hedges losses and profits		*(1.107)*	*(2.125)*	*301*	*(14)*
Income tax related to items that are or may be reclassified to profit or loss		*244*	*244*	*(64)*	*3*
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(95.056)**	**(43.844)**	**(9.863)**	**(5.806)**
Earnings/(loss) per share [(For 1 lot share)]		(0,0086)	(0,0038)	(0,0009)	(0,0005)
Diluted earnings/(loss) per share [(For 1 lot share)]		(0,0086)	(0,0038)	(0,0009)	(0,0005)

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

					Other comprehensive income that will not be reclassified to profit or loss		**Other comprehensive income that are or may be reclassified to profit or loss**	**Retained earnings/Accumulated losses**		
	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	Hedging reserve	Prior years' profit/ (losses)	Net profit/ (loss) for the period	Total equity
<u>Prior period</u>										
Balance at 1 January 2018	**110.000**	**6.628**	**8.704**	**3**	**(2.567)**	**21.908**	**(237)**	**(207.380)**	**19.568**	**(43.373)**
Transfers	--	--	--	--	--	--	--	19.568	(19.568)	--
Total comprehensive income	--	--	--	--	5	--	237	--	(10.135)	(9.893)
Balance at 30 June 2018	**110.000**	**6.628**	**8.704**	**3**	**(2.562)**	**21.908**	**--**	**(187.812)**	**(10.135)**	**(53.266)**
<u>Current period</u>										
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	--	--	--	--	--	--	(863)	--	(94.193)	(95.056)
Balance at 30 June 2019	**110.000**	**6.628**	**8.704**	**3**	**(3.201)**	**27.209**	**(863)**	**(252.421)**	**(94.193)**	**(198.134)**

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

	Notes	Current period *Reviewed* 1 January – 30 June 2019	Prior period *Reviewed* 1 January – 30 June 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) for the period		(94.193)	(10.135)
Adjustments:			
Adjustments for interest expense	*22*	95.271	34.713
Adjustments for depreciation and amortisation expenses	*10,11,12,13*	67.881	16.058
Adjustments for fair value (gains) or losses on derivative financial instruments	*23*	1.107	64
Adjustments for (reversal)/provision for employee benefits		6.655	(3.227)
Adjustments for impairment of receivables	*7*	90	(2.608)
Adjustments for (reversal)/provision for other provisions		(2.444)	57
Adjustments for the (gains)/losses on sales of property, plant and equipment	*21*	(276)	17
Adjustments for reversal of impairment of property, plant and equipment	*12,13*	(4.988)	(4.639)
Adjustments for (reversal)/impairment of inventory	*8*	349	3.516
Adjustments for interest income	*21*	(105)	(63)
Adjustments for tax expense/(income)		(23.911)	(26)
		45.436	**33.727**
Changes in working capital:			
(Increase)/decrease in trade receivables from third parties		(20.891)	(30.851)
(Increase)/decrease in trade receivables from related parties	*4*	(1.161)	(6.058)
Increase in inventories	*8*	(164.110)	(100.839)
(Increase)/decrease in other assets related to operations		(16.399)	(35.481)
(Increase)/decrease in trade payables to third parties		212.555	(59.251)
Decrease in trade payables to related parties	*4*	(3.362)	(2.641)
Decrease in other liabilities related to operations		(9.696)	(28.184)
Payments related to provisions for employee benefits		(4.875)	(1.124)
Payments related to other provisions		(2.919)	--
Cash used in operations		**34.578**	**(230.702)**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	*12*	(14.697)	(11.870)
Acquisition of intangible assets	*13*	(3.704)	(7.102)
Proceeds from sale of property, plant and equipment and intangible assets		5.040	4.727
Interest received		105	63
Cash used in investment activities		**(13.256)**	**(14.182)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	*22*	(55.727)	(34.713)
Payments for operating leases		(69.892)	--
Proceeds from loans and borrowings	*6*	127.230	231.666
Cash provided from/(used in) financing activities		**1.611**	**196.953**
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**22.933**	**(47.931)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	*5*	**26.987**	**72.703**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	*5*	**49.920**	**24.772**

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE COMPANY

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 shareholders are Hacı Ömer Sabancı Holding A.Ş. and Sabancı Family members. Number of personnel of the Company is 2.157 as at 30 June 2019 (31 December 2018: 2.292). 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, Teknosa 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 201 stores with 105.252 square meters retail space as at 30 June 2019 (31 December 2018: 107.836 square meters, 205 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

According to the the Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013, the accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS"). TFRS is composed of Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards and its addendum and interpretations issued by POA.

The Company prepared its condensed interim financial statements for the period ended 30 June 2019, in accordance with the TAS 34 "Interim Financial Reporting" in the framework of the Communiqué Serial: II and numbered 14.1 and its related announcements. The condensed interim financial statements and its accompanying notes are presented in compliance with the format recommended by CMB, including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim financial statements whether full set or condensed. In this framework, the Company preferred to present its interim financial statements in condensed version. The Company's condensed interim financial statements do not include all disclosures and notes that should be included at year-end financial statements. Therefore, the condensed interim financial statements should be considered together with the financial statements as of 31 December 2018.

The financial statements of the Company are presented in compliance with "Announcement on Financial Statements and Disclosure Formats" announced by CMB and TAS taxanomy announced by POA.

Approval of financial statements:

The accompanying financial statements are approved by the Company's Board of Directors on 6 August 2019. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

(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.

(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 interim financial statements of the Company have been prepared comparatively with the prior period 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 free gift cards amounting TL 3.455 previously presented under "marketing expenses" to "revenue" in its comparative statement of financial position as at 30 June 2018.

The related reclassification has no effect on the loss for the interim period ended 30 June 2018.

The reclassifications are considered in the preparation of the condensed interim statement of cash flows for the six months period ended 30 June 2018.

2.2 Changes in accounting policies

The significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2018.

Accounting policies are expected to be reflected in the financial statements for the period ended 30 June 2019.

2.2.1 TFRS 16 Leases

The Company has initially adopted TFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

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

2.2 Changes in accounting policies (Continued)

2.2.1 TFRS 16 Leases (Continued)

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has not restated comparable amounts for the prior year using the simplified migration application. With this method, all right of use assets are measured from the lease liabilities (adjusted in advance or accrued according to the rental costs).

i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

ii) As a lessee

The Company leases many assets, including warehouses, production equipment and building.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under TFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

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

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

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

2.2 Changes in accounting policies (Continued)

2.2.1 TFRS 16 Leases (Continued)

Book value of right of use assets are presented below:

	Right of use assets		
	Buildings	**Vehicles**	**Total**
Balance at 1 January 2019	391.022	3.376	394.398
Balance at 30 June 2019	355.365	2.488	357.853

The Company presents lease liabilities in 'loans and borrowings' in the statement of financial position.

Book value of lease liabilities are presented below:

	Rent liabilities		
	Buildings	**Vehicles**	**Total**
Balance at 1 January 2019	391.022	3.376	394.398
Balance at 30 June 2019	376.844	2.720	379.564

Significant accounting policies

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, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

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

2.2 Changes in accounting policies (Continued)

2.2.1 TFRS 16 Leases (Continued)

Transition

Previously, the Company classified property leases as operating leases under IAS 17. These include stores, warehouse, vehicle and general administrative office. The leases typically run for a period of 5-10 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either their carrying amount as if TFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property lease.

The Company used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

iii) As a lessor

The Company leases out its investment property, including right-of-use assets. The Company has classified these leases as operating leases.

The accounting policies applicable to the Company as a lessor are not different from those under IAS 17. However, when the Company is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company is not required to make any adjustments on transition to TFRS 16 for leases in which it acts as a lessor. However, the Company has applied TFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

The Company sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to TFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value on transition to TFRS 16. The sub-lease contracts are classified as operating leases under TFRS 16.

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

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

2.2 Changes in accounting policies (Continued)

2.2.1 TFRS 16 Leases (Continued)

iv) Impact on financial statements

a. Transition effect

On transition to TFRS 16, the Company recognised additional right-of-use assets, including additional lease liabilities. The impact on transition is summarised below.

	1 January 2019
Right of use assets	**394.398**
Lease liabilities	**394.398**

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate applied is 24%.

	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	**681.372**
Lease liabilities recognised at 1 January 2019	**394.398**

b. Impacts for the period

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TL 357.853 of right-of-use assets and TL 379.564 of lease liabilities as at 30 June 2019. As of 30 June2019, the alternative interest rate is 24%.

Also in relation to those leases under TFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Company recognised TL 52.059 of depreciation charges and TL 39.545 of interest costs from these leases.

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

2.3 Changes in estimates and error

The preparation of the financial statements in compliance with TAS requires to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Critical judgments and assumptions and estimation uncertainties in applying accounting policies have the significant effect on the amounts recognised in the financial statements.

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.

2.4 Summary of Significant Accounting Policies

Standards and interpretations issued but not yet effective and not early adopted as at 30 June 2019

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRSs. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TAS 1 and TAS 8 - Definition of Material

In 7 June 2019 POA issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Company does not expect that application of these amendments to TAS 1 and TAS 8 will have significant impact on its financial statements.

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

2.4 Summary of Significant Accounting Policies

Standards and interpretations issued but not yet effective and not early adopted as at 30 June 2019 (Continued)

Amendments to TFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In 21 May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Company does not expect that application of these amendments to TFRS 3 will have significant impact on its financial statements.

2.5 Critical judgments and estimates

Critical judgments in applying the Company's accounting policies

The Company management had made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Useful lives of property, plant 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 (Continued)

Critical judgments in applying the Company's accounting policies (continued)

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 4.988 as at 30 June 2019 (30 June 2018: TL 4.639). (Note 12)

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 15.298 as at 30 June 2019 (31 December 2018: TL 14.949). (Note 8)

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.

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 30 June 2019, the amount offset from the deferred revenue from the gift checks recognised in the financial statement is amounting to TL 1.279 (31 December 2018: TL 5.152).

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

2.5 Critical judgments and estimates (Continued)

Critical judgments in applying the Company’s accounting policies (Continued)

Providing financial capability

The Company recognised net loss amounting to TL 94.193 for the period ended 30 June 2019. Accumulated losses is amounting to TL 252.421 as at 30 June 2019. The Company's total negative equity amount is TL 198.134 together with the accumulated losses as at 30 June 2019.

In addition to this, the Company made an announcement on Public Disclosure Platform on 6 August 2019 in accordance with the CMB’s principal decision numbered 11/352 as detailed below:

“The Company issued its financial statements as at 30 June 2019 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL(-) 159.509.533 and the brand value which is the off-balance sheet asset of the Company is amounting to full TL 315.159.000 are considered in accordance with the CMB's principal decision numbered 2014/11. There is no change in the negative equity status of the Company in these financial statements which are prepared in accordance with above mentioned the CMB regulations. As a result, statement of financial position is prepared in accordance with the related article of TCC 376 based on the CMB's principal decision numbered 2014/11. The brand value is included in the statement of financial position prepared in accordance with the related article of TCC 376.

Equity of this statement of financial position prepared in accordance with the related article of TCC 376 is amounting to full TL (+) 155.649.447. This indicates that the Company maintains its share capital amounting to full TL 110.000.000 in equity status.”

(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 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 product categories and geographical sector. The Company's product categories 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-30 June 2019		
	Stores	**Dealer Group**	**Total**
Total segment income	1.713.805	128.956	1.842.761
Income from third party customers	**1.713.805**	**128.956**	**1.842.761**
Adjusted EBIT	**116.352**	**7.381**	**123.733**

	1 January-30 June 2018		
	Stores	**Dealer Group**	**Total**
Total segment income	1.555.074	142.357	1.697.431
Income from third party customers	**1.555.074**	**142.357**	**1.697.431**
Adjusted EBIT	**48.191**	**13.928**	**62.119**

	1 April-30 June 2019		
	Stores	**Dealer Group**	**Total**
Total segment income	915.667	86.412	1.002.079
Income from third party customers	**915.667**	**86.412**	**1.002.079**
Adjusted EBIT	**69.064**	**8.640**	**77.704**

	1 April-30 June 2018		
	Stores	**Dealer Group**	**Total**
Total segment income	795.717	95.203	890.920
Income from third party customers	**795.717**	**95.203**	**890.920**
Adjusted EBIT	**21.929**	**8.213**	**30.142**

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

NOTE 3 – SEGMENT REPORTING (Continued)

	1 January – 30 June 2019	1 April – 30 June 2019	1 January – 30 June 2018	1 April – 30 June 2018
Reconciliation of Adjusted EBIT with profit before taxes:	**123.733**	**77.703**	**62.119**	**30.142**
Depreciation and amortisation expenses	(67.881)	(34.098)	(16.058)	(8.006)
Finance expenses	(95.271)	(52.388)	(34.713)	(19.675)
Income / (expense) from investing activities	381	38	46	350
Effect of changing TFRS 9, net	(90)	(36)	110	(10)
Other income / (expenses), net	(77.002)	(42.628)	(19.739)	(6.602)
Provision for employee termination benefits	(1.974)	(1.234)	(1.926)	(874)
Profit/(loss) before tax	**(118.104)**	**(52.643)**	**(10.161)**	**(4.675)**

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.

	30 June 2019	
	Receivables	**Payables**
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	2.156	292
Akbank T.A.Ş.	346	--
Aksigorta A.Ş.	290	430
Çimsa Çimento San. ve Tic. A.Ş.	80	--
Avivasa Emeklilik ve Hayat A.Ş.	31	--
Akçansa Çimento San. ve Tic. A.Ş.	20	--
Brisa Bridgestone Sabancı Lastik San.Ve Tic.A.Ş.	1	
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	1	533
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	--	121
	2.925	**1.376**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	31 December 2018	
	Receivables	**Payables**
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	1.415	450
Brisa Bridgestone Sabancı Lastık San.Ve Tic.A.Ş.	81	--
Çimsa Çimento San. ve Tic. A.Ş.	59	--
Akçansa Çimento San. ve Tic. A.Ş.	51	--
Hacı Ömer Sabancı Holding A.Ş.	51	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	49	218
Avivasa Emeklilik ve Hayat A.Ş.	39	--
Akbank T.A.Ş.	16	3
Yünsa Yünlü San. Ve Tic. A.Ş.	3	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	--	3.914
Aksigorta A.Ş.	--	152
Temsa Global Sanayi ve Ticaret A.Ş.	--	1
	1.764	**4.738**

Deposit accounts in Akbank T.A.Ş.	**30 June 2019**	**31 December 2018**
Demand deposit	6.889	8.756
	6.889	**8.756**

Credit card slip receivables in Akbank T.A.Ş.	**30 June 2019**	**31 December 2018**
Credit card slip receivables	1.564	2.245
	1.564	**2.245**

	1 January – 30 June 2019		
Transactions with related parties	**Sale of goods**	**Rent expense**	**Other income / (expenses)**
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	2.846	(706)	(835)
Akbank T.A.Ş.	928	--	--
Aksigorta A.Ş.	260	--	470
Avivasa Emeklilik ve Hayat A.Ş.	135	--	--
Çimsa Çimento San.ve Tic.A.Ş.	105	--	--
Kordsa Teknik Tekstil A.Ş.	74	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	58	--	(2.334)
Akçansa Çimento San. ve Tic. A.Ş.	42	--	--
Yünsa Yünlü San. Ve Tic. A.Ş.	34	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	26	--	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	--	--	(152)
	4.508	**(706)**	**(2.851)**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 June 2018		
Transactions with related parties	**Sale of goods**	**Rent expense**	**Other income / (expenses)**
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	5.039	(2.957)	(181)
Akbank T.A.Ş.	2.429	--	--
Avivasa Emeklilik ve Hayat A.Ş.	1.253	--	--
Akçansa Çimento San. ve Tic. A.Ş.	65	--	--
Aksigorta A.Ş.	49	--	(643)
Çimsa Çimento San.ve Tic.A.Ş.	41	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	34	--	--
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	4	--	--
Kordsa Teknik Tekstil A.Ş.	1	--	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	1	--	(506)
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	-	--	(1.051)
H.Ö. Sabancı Holding A.Ş.	--	--	(4)
	8.916	**(2.957)**	**(2.385)**

The details of short and long term rent liabilities to related parties as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	**31 December 2018**
Short portion of long-term rent liabilities to related parties	391	--
Long-term rent liabilities to related parties	4.142	--
	4.533	**-**

The Company's key management has been identified as the general managers 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 periods ended 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	**1 January - 30 June 2018**
Salaries and other benefits	2.298	3.827
	2.298	**3.827**

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

NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Cash	4.719	2.728
Demand deposit	27.791	12.562
Credit card slip receivables	17.410	11.697
	49.920	**26.987**

The Company does not have any time deposits as at 30 June 2019 and 31 December 2018.

The Company does not have any blocked deposits as at 30 June 2019 and 31 December 2018.

The Company's exposure to foreign currency risk for cash and cash equivalents are disclosed in Note 24.

NOTE 6 – LOANS AND BORROWINGS

The details of loans and borrowings as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019			
	Currency	**Interest rate**	**Amount**	**Maturity**
Bank borrowings	TL	%20.75 - %23.30	135.730	2019
Short-term loans and borrowings			**135.730**	

	31 December 2018			
	Currency	**Interest rate**	**Amount**	**Maturity**
Bank borrowings	TL	24.00%	8.500	2019
Short-term loans and borrowings			**8.500**	

Finance lease payables consist of the followings:

Lease Liabilities	Present value of minimum lease payments	
	30 June 2019	**31 December 2018**
Within one year	32.705	--
Less: future finance charges	--	--
Present value of lease liabilities	**32.705**	**--**
Within two years and after	346.859	--
Less: future finance charges	--	--
Present value of lease liabilities	**346.859**	**--**

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 7 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as at 30 June 2019 and 31 December 2018 are as follows:

Short term trade receivables:

	30 June 2019	31 December 2018
Trade receivables	58.443	46.171
Notes receivables	36.285	27.486
Due from related parties (Note 4)	2.925	1.764
Allowance for doubtful receivables (-)	(9.736)	(9.646)
	87.917	**65.775**

The movement of the allowance for doubtful receivables for the period ended 30 June 2019 and 2018 is as follows:

	2019	2018
As at 1 January	**9.646**	**12.422**
Charge for the period	90	360
Reversal	--	(2.968)
As at 30 June	**9.736**	**9.814**

The average maturity of the Company's trade receivables is 1-7 days for retail receivables and 68 days for dealer groups. (31 December 2018: For retail: 1-7 days, 79 days for dealer receivables). As of 30 June 2019, the Company does not apply overdue interest on trade receivables. (31 December 2018: None).

The Company's exposure to credit and foreign currency risk and impairment for trade receivables are disclosed in Note 24.

As at 30 June 2019 and 31 December 2018, the Company holds the collaterals listed below for the checks, notes and trade receivables:

	30 June 2019	31 December 2018
Letters of guarantees received	62.537	65.340
Mortgages	12.192	14.382
	74.729	**79.722**

Fair value of the collaterals which the Company is permitted to sell or re-pledge without the default by the owner of the collateral is TL 74.729 (31 December 2018: TL 79.722). As at the reporting date, there are not any collaterals or mortgages which are sold or re-pledged by the Company.

Short term trade payables:	30 June 2019	31 December 2018
Trade payables	965.044	771.179
Expense accruals	19.915	1.225
Due to related parties (Note 4)	1.376	4.738
	986.335	**777.142**

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

As at 30 June 2019, the Company offset income accruals from its suppliers amounting to TL 63.394 with trade payables (31 December 2018: TL 34.432). Average payment terms of trade payables is 112 days (31 December 2018: 83 days). The Company does not have payments on a monthly basis for late interest as of 30 June 2019. (31 December 2018: None.)

The Company's exposure to foreign currency risk for short-term trade payables are disclosed in Note 24.

NOTE 8 – INVENTORIES

The details of the inventories as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	**31 December 2018**
Trading goods	659.899	506.728
Goods in transit	11.837	898
Allowance for impairment on inventories (-)	(15.298)	(14.949)
	656.438	**492.677**

The movements of allowance on inventories for the periods ended at 30 June 2019 and 2018 are as below

Allowance for impairment on inventories:	**2019**	**2018**
As at 1 January	(14.949)	(17.312)
(Change) for the period/used in the period, net	(349)	(3.516)
As at 30 June	**(15.298)**	**(20.828)**

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of prepaid expenses as at 30 June 2019 and 31 December 2018 are as follows:

Short-term prepaid expenses	**30 June 2019**	**31 December 2018**
Advances given for inventories	369	964
Short term prepaid expenses	5.433	5.039
	5.802	**6.003**

Long-term prepaid expenses	**30 June 2019**	**31 December 2018**
Long term prepaid expenses	94	265
	94	**265**

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

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

The details of the deferred revenue as at 30 June 2019 and 31 December 2018 are as follows:

Short-term deferred revenue	**30 June 2019**	**31 December 2018**
Income from gift cards	6.535	7.380
Advances received	6.099	5.002
Other	146	150
	12.780	**12.532**

NOTE 10 – INVESTMENT PROPERTY

As of 30 June 2019 net book value of investment properties of the Company amounting TL 8.929 (31 December 2018: TL 8.929).

The Company generates rental income by TL 226 (2018: TL 180) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 137 (2018: TL 359). Operating expenses which are not related to the Teknosa store are distributed to lessees.

Land and 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 7 January 2019.

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. The fair value of the land was determined based on the market comparable approach that reflects the recent transaction prices for similar properties. The fair value of the buildings determined based on the highest and best of the current value in use.

Fair value of the related land and building is level 2.

30 June 2019 and 31 December 2018 there is no mortgage on investment properties.

NOTE 11 – RIGHT OF USE ASSET

The movement of the right of use assets for the period ended 30 June 2019 is as follows:

	Buildings	Vehicles	Total
Opening balance 1 January 2019	391.022	3.376	394.398
Addition	13.941	--	13.941
Prepaid expense	1.573	--	1.573
Amortization	(51.171)	(888)	(52.059)
Closing balance 30 June 2019	**355.365**	**2.488**	**357.853**

For the period ended 30 June 2019, thereof TL 49.190 of depreciation charges included in marketing expenses (30 June 2018: None) and TL 2.869 included in general administrative expenses (30 June 2018: None).

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENTS

The movement of tangible assets and related accumulated depreciation for the period ended 30 June 2019 are as follows:

Cost	**Land**	**Building**	**Machinery and equipment**	**Vehicles**	**Furniture and fixtures**	**Leasehold improvements**	**Construction in progress**	**Total**
Balance at 1 January 2019	**32.051**	**6.403**	**369**	**57**	**80.558**	**101.865**	**10.054**	**231.357**
Additions	--	--	--	--	1.636	6.199	6.862	14.697
Disposals	--	--	--	--	(3.161)	(8.158)	--	(11.319)
Allowance for impairment	--	--	--	--	(36)	--	--	(36)
Reversal of impairment	--	--	--	--	1.290	8.881	--	10.171
Transfers from construction in progress	--	--	--	--	708	184	(14.080)	(13.188)
Balance at 30 June 2019	**32.051**	**6.403**	**369**	**57**	**80.995**	**108.971**	**2.836**	**231.682**
Accumulated depreciation and impairment losses								
Balance at 1 January 2019	--	(3.892)	(369)	(53)	(61.176)	(76.283)	--	(141.773)
Charge for the period	--	(28)	--	(3)	(4.213)	(4.718)	--	(8.962)
Disposals	--	--	--	--	2.748	3.807	--	6.555
(Allowance for) / reversal of impairment, net (*)	--	--	--	--	(777)	(4.370)	--	(5.147)
Balance at 30 June 2019	**--**	**(3.920)**	**(369)**	**(56)**	**(63.418)**	**(81.564)**	--	**(149.327)**
Net carrying amount at 31 December 2018	**32.051**	**2.511**	**--**	**4**	**19.382**	**25.582**	**10.054**	**89.584**
Net carrying amount at 30 June 2019	**32.051**	**2.483**	**--**	**1**	**17.577**	**27.407**	**2.836**	**82.355**

(*) As of 30 June 2019, the impairment loss and impairment reversed during the period calculated for property, plant and equipment is net TL 4.988 (30 June 2018: TL 4.639). For the period ended 30 June 2019, thereof TL 4.640 of depreciation charges included in marketing expenses (30 June 2018: TL 5.327) and TL 4.322 included in general administrative expenses (30 June 2018: TL 4.538).

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENTS (Continued)

The movement of tangible assets and related accumulated depreciation for the period ended 30 June 2018 are as follows:

Cost	**Land**	**Building**	**Machinery and equipment**	**Vehicles**	**Furniture and fixtures**	**Leasehold improvements**	**Construction in progress**	**Total**
Balance at 1 January 2018	**26.505**	**6.363**	**369**	**57**	**80.926**	**104.128**	**1.150**	**219.498**
Additions	--	--	--	--	2,259	4,232	5,379	11,870
Disposals	--	--	--	--	(5.011)	(10.939)	--	(15.950)
Allowance for impairment	--	--	--	--	(263)	(3)	--	(266)
Reversal of impairment	--	--	--	--	972	9.544	--	10.516
Transfers from construction in progress	--	--	--	--	401	767	(2.687)	(1.519)
Balance at 30 June 2018	**26.505**	**6.363**	**369**	**57**	**79,284**	**107,729**	**3,842**	**224.149**
Accumulated depreciation and impairment losses								
Balance at 1 January 2018	**--**	**(3.835)**	**(352)**	**(46)**	**(58.366)**	**(71.978)**	**--**	**(134.577)**
Charge for the period	--	(28)	(14)	(3)	(4.702)	(5.118)	--	(9.865)
Disposals	--	--	--	--	4.939	6.285	--	11.224
(Allowance for) / reversal of impairment, net	--	--	--	--	(394)	(5.217)	--	(5.611)
Balance at 30 June 2018	**--**	**(3.863)**	**(366)**	**(49)**	**(58.523)**	**(76.028)**	--	**(138.829)**
Net carrying amount at 30 June 2018	**26.505**	**2.500**	**3**	**8**	**20.761**	**31.701**	**3.842**	**85,320**
Net carrying amount at 31 December 2017	**26.505**	**2.528**	**17**	**11**	**22.560**	**32.150**	**1.150**	**84.921**

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

NOTE 13 – INTANGIBLE ASSETS

Cost	**Licenses and Rights**	**Total**
Opening balance at 1 January 2019	**104.124**	**104.124**
Additions	3.704	3.704
Disposals	(7)	(7)
Transfers from construction in progress	13.188	13.188
Closing balance at 30 June 2019	**121.009**	**121.009**
Accumulated amortisation and impairment losses		
Opening balance at 1 January 2019	**(77.125)**	**(77.125)**
Charge for the year	(6.860)	(6.860)
Disposals	7	7
Closing balance at 30 June 2019	**(83.978)**	**(83.978)**
Net book value as at 30 June 2019	**37.031**	**37.031**
Net book value as at 31 December 2018	**26.999**	**26.999**

Cost	**Licenses and Rights**	**Total**
Opening balance at 1 January 2018	**88.777**	**88.777**
Additions	7.102	7.102
Disposals	(291)	(291)
Transfers from construction in progress	1.519	1.519
Closing balance at 30 June 2018	**97.107**	**97.107**
Accumulated amortisation and impairment losses		
Opening balance at 1 January 2018	(64.593)	(64.593)
Charge for the year	(6.193)	(6.193)
Disposals	271	271
Closing balance at 30 June 2018	**(70.515)**	**(70.515)**
Net book value as at 30 June 2018	**26.592**	**26.592**

For the period ended 30 June 2019, thereof TL 3.773 of amortisation charges included in marketing expenses (30 June 2018: TL 3.840) and TL 3.087 included in general administrative expenses (30 June 2018: TL 2.353).

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

NOTE 14– PAYABLES RELATED TO EMPLOYEE BENEFITS

The details of payables related to employee benefits as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Accrued salaries	9.905	6.721
Social security premiums payable	8.907	7.095
Income taxes payable	1.934	1.827
	20.746	**15.643**

The details of the provisions for employee benefits as at 30 June 2019 and 31 December 2018 are as follows:

Short-term provisions	30 June 2019	31 December 2018
Provision for unused vacation	3.652	2.977
Provision for sales personnel premiums	2.915	2.966
Provision for other premiums	1.601	1.386
	8.168	**7.329**

Long-term provisions	30 June 2019	31 December 2018
Provision for employee termination benefit	7.187	6.386
Provision for other premium	2.024	1.884
	9.211	**8.270**

Provisions for employment benefits

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age after 25 years of service (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 14– 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 30 June 2019, 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 4,55% real discount rate (31 December 2018: 4,55%) calculated by using 10,00% annual inflation rate and 15,00% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel for 0-15 years are taken into consideration as 10,44 % and 8,02%, respectively (31 December 2018: 18,63% and 10,23%), 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 September 1999 (123 personnel) and the provision has been calculated accordingly.

NOTE 15 – PROVISIONS

The details of the other current provisions as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Provisions for ongoing litigation (*)	8.357	10.711
Provision for cancellation of rent agreements (**)	739	3.988
Other	893	653
	9.989	**15.352**

(*) 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.

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

NOTE 16 – COMMITMENTS

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages ("CPM") given by the Company as at 30 June 2019 and 31 December 2018 are as follows:

CPMs given by the Company	30 June 2019			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**282.916**	**13.072**	**4.407**	**178.817**
- Collaterals	238.133	7.434	4.385	166.625
- Letter of credit	32.591	5.638	22	--
- Pledges	--	--	--	--
- Mortgages	12.192	--	--	12.192
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	**282.916**	**13.072**	**4.407**	**178.817**

CPMs given by the Company	31 December 2018			
	TL equivalent	**USD**	**Euro**	**TL**
A. Total amount of CPM given on behalf of own legal personality	**248.521**	**7.632**	**4.700**	**180.038**
- Collaterals	234.139	7.632	4.700	165.656
- Pledges	--	--	--	--
- Mortgages	14.382	--	--	14.382
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	**248.521**	**7.632**	**4.700**	**180.038**

The ratio of the 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 30 June 2019 (31 December 2018: 0%).

As at 30 June 2019 and 31 December 2018, the Company is mainly contingently liable in respect of bank letter of guarantees obtained from banks 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 17 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current and non-current assets as at 30 June 2019 and 31 December 2018 are as follows:

Other current assets	**30 June 2019**	**31 December 2018**
Value added tax ("VAT") receivable	14.367	--
Job advances	1.397	343
Personnel advances	182	115
Other current assets	855	669
	16.801	**1.127**

The details of the other current liabilities as at 30 June 2019 and 31 December 2018 are as follows:

Other current liabilities	**30 June 2019**	**31 December 2018**
Value added tax ("VAT") payable	509	13.385
Other expense accruals (*)	672	2.943
Other liabilities and obligations	401	417
	1.582	**16.745**

(*)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 18 - REVENUE

The details of revenue and cost of revenue for six month periods ended 30 June 2019 and 2018 are as follows.

Revenue (net)	**1 January - 30 June 2019**	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Retail sales	1.713.805	915.667	1.555.074	795.717
Distributor sales	128.956	86.412	142.357	95.203
	1.842.761	**1.002.079**	**1.697.431**	**890.920**

Cost of revenue	**1 January - 30 June 2019**	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Cost of trading goods sold	(1.515.157)	(819.477)	(1.392.210)	(732.751)
Installation and warranty expenses	(7.778)	(4.514)	(8.128)	(6.162)
	(1.522.935)	**(823.991)**	**(1.400.338)**	**(738.913)**

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

NOTE 19 –MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for six month periods ended 30 June 2019 and 2018 are as follows:

Marketing expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expenses	82.607	41.778	71.406	35.733
Depreciation and amortisation expenses	57.603	27.948	9.167	4.469
Advertising and promotion expenses	32.470	17.411	28.435	17.453
Rent expenses	28.444	14.565	87.503	45.106
Transportation expenses	10.838	5.920	9.923	5.328
Energy, fuel and water expenses	7.063	3.403	5.354	2.556
Consultancy expenses	3.854	2.142	2.698	1.491
Maintenance and cleaning expenses	3.019	1.703	3.428	2.009
Communication expenses	614	267	709	387
Travel and accommodation expenses	552	326	607	297
Other expenses	7.941	4.479	6.370	3.052
	235.005	**119.942**	**225.600**	**117.881**

The details of administrative expenses for six month periods ended 30 June 2019 and 2018 are as follows:

Administrative expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expenses	9.501	4.420	9.724	4.152
IT expenses	5.679	3.067	5.634	2.733
Depreciation and amortisation expenses	10.278	6.150	6.891	3.537
Consultancy expenses	3.988	1.500	1.810	759
Maintenance expenses	251	100	216	115
Travel expenses	168	87	239	104
Rent expenses	104	41	2.098	1.150
Energy, fuel, water expenses	90	28	54	46
Other expenses	884	382	692	268
	30.943	**15.775**	**27.358**	**12.864**

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

NOTE 20 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities	**1 January - 30 June 2019**	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Interest income on credit sales	8.941	3.565	12.590	9.858
Foreign exchange gains	5.504	4.433	4.569	3.275
Reversal of provisions for cancellation of rent agreements (*)	1.000	--	--	--
Gift cards	378	274	377	138
Income from personnel	341	147	382	114
Gains from unused gift checks	--	--	2.216	2.216
Other income	3.040	1.823	2.633	2.354
	19.204	**10.242**	**22.767**	**17.955**

(*) 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. For six month periods ended 30 June 2019, reversal of provisions for cancellation of rent agreement is amounting to TL 1000 (2018: None).

The details of other expense from operating activities for six month periods ended 30 June 2019 and 2018 are as follows:

Other expense from operating activities	**1 January - 30 June 2019**	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Interest expenses on payables	79.760	42.837	34.737	20.214
Foreign exchange loss	9.173	5.239	4.316	2.896
Litigation expenses	3.201	2.045	1.768	99
Other expenses	4.072	2.749	1.685	1.348
	96.206	**52.870**	**42.506**	**24.557**

NOTE 21 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of income from investing activities for six month periods ended 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Interest income on time deposits	105	68	63	--
Gain from sale of fixed assets	282	(289)	--	350
	387	**(221)**	**63**	**350**

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

NOTE 21 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES (Continued)

The details of expense from investing activities for six month periods ended 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Loss from sale of fixed assets	(6)	259	(17)	--
	(6)	**259**	**(17)**	--

NOTE 22 – FINANCE EXPENSES

The details of finance expense for six month periods ended 30 June 2019 and 2018 are as follows:

Finance Expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Interest expense due lease liabilities	39.545	19.545	--	--
Credit card commission expenses	23.109	13.207	9.811	5.376
Credit card discount expenses	17.306	9.354	9.223	4.772
Interest and commission expenses	14.380	9.707	15.200	9.225
Guarantee letters commission	781	515	368	255
Other finance expenses	150	60	111	47
	95.271	**52.388**	**34.713**	**19.675**

NOTE 23 – DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	--	(1.107)	--	--
Short-term	--	(1.107)	--	--
	--	**(1.107)**	--	**--**

As at 30 June 2019, the Company signed foreign currency forward contracts with the maturities in three months in order to hedge the foreign exchange exposures arising from the purchases denominated in foreign currency of the dealers. As at 30 June 2019 the total nominal amount of foreign exchange forward contracts that the Company is obliged to realize and which are not due is TL 24.781 (4.080 USD). As at 30 June 2019, fair value of the Company's foreign currency forward contracts is estimated to be approximately TL 1.107 as a liability. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. The fair value of the foreign currency forward contracts that are designated and effective as cash flow hedges amounting to TL 1.107 has been accounted for under equity. As at 31 December 2018, there is no signed foreign currency forward contracts.

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

NOTE 24 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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	**30 June 2019**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	649	81	27	109
2a.Monetary financial assets (including cash on hand and bank accounts)	1.049	180	2	--
2b.Non-monetary financial assets	--	--	--	--
3. Other	910	157	1	--
4. Current assets (1+2+3)	**2.608**	**418**	**30**	**109**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	357	62	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	**357**	**62**	**--**	**--**
9. Total assets (4+8)	**2.965**	**480**	**30**	**109**
10. Trade payables	(19.153)	(2.570)	(666)	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	--	--	--	--
12b. Non-monetary other liabilities	(7.012)	(820)	(350)	--
13. Current liabilities (10+11+12)	**(26.165)**	**(3.390)**	**(1.016)**	**--**
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)	**(26.165)**	**(3.390)**	**(1.016)**	**--**
19. Net position of financial statement (9+18)	**(23.200)**	**(2.910)**	**(986)**	**109**
Off-balance sheet derivative assets	--	--	--	--
Off-balance sheet derivative liabilities	--	--	--	--
20. Net position of foreign currency derivatives	**--**	**--**	**--**	**--**
21. Net position of foreign currency asset / (liability) (19+20)	**(23.200)**	**(2.910)**	**(986)**	**109**
22. Net position of monetary foreign currency asset / (liability) (19)-(3+7)	**(24.110)**	**(3.067)**	**(987)**	**109**
23. Total fair value of foreign currency hedge	**--**	**--**	**--**	**--**
24. The amount for the hedged portion foreign currency assets	**--**	**--**	**--**	**--**
25. The amount for the hedged portion of foreign currency liabilities	**--**	**--**	**--**	**--**

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

NOTE 24 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign Currency Position	**31 December 2018**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	1.528	152	120	109
2a.Monetary financial assets (including cash on hand and bank accounts)	53	2	7	--
2b.Non-monetary financial assets	--	--	--	--
3. Other	5.086	536	376	--
4. Current assets (1+2+3)	**6.667**	**690**	**503**	**109**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	**--**	**--**	**--**	**--**
9. Total assets (4+8)	**6.667**	**690**	**503**	**109**
10. Trade payables	(7.558)	(1.541)	91	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	--	--	--	--
12b. Non-monetary other liabilities	(1.974)	(389)	12	--
13. Current liabilities (10+11+12)	**(9.532)**	**(1.930)**	**103**	**-**
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)	**(9.532)**	**(1.930)**	**103**	**-**
19. Net position of financial statement (9+18)	**(2.865)**	**(1.240)**	**606**	**109**
Off-balance sheet derivative assets	--	--	--	--
Off-balance sheet derivative liabilities	--	--	--	--
20. Net position of foreign currency derivatives	**--**	**--**	**--**	**--**
21. Net position of foreign currency asset / (liability) (19+20)	**(2.865)**	**(1.240)**	**606**	**109**
22. Net position of monetary foreign currency asset / (liability) (19)-(3+7)	**(5.464)**	**(1.387)**	**218**	**109**
23. Total fair value of foreign currency hedge	--	--	--	--
24. The amount for the hedged portion foreign currency assets	--	--	--	--
25. The amount for the hedged portion of foreign currency liabilities	--	--	--	--

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

NOTE 24 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The table below presents the Company's sensitivity to a 10% deviation in foreign exchange rates of USD, EUR and other foreign currencies. These amounts have indicated the effect of the USD, EUR and other foreign currencies against TL strengthened / weakened by 10%. During this analysis all other variables held constant.

Foreign Currency Sensitivity Table	**30 June 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	(1.675)	1.675
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**(1.675)**	**1.675**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(646)	646
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**(646)**	**646**
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)	**(2.320)**	**2.320**

Foreign Currency Sensitivity Table	**31 December 2018**	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	(652)	652
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**(652)**	**(652)**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	365	(365)
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**365**	**(365)**
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)	--	--
TOTAL (3+6+9)	**(286)**	**286**

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

NOTE 25 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

30 June 2019	**Amortized cost**	**Derivative financial instruments**	**Financial liabilities at amortised cost**	**Carrying value**	***Note***
Financial assets					
Cash and cash equivalents	49.920	--	--	49.920	*5*
Trade receivables (including due from related parties)	87.917	--	--	87.917	*7*
Other receivables (including due from related parties)	571	--	--	571	
Financial liabilities					
Bank borrowings	--	--	135.730	135.730	*6*
Lease liabilities (including due to related parties)	--	--	379.564	379.564	*6*
Trade payables (including due to related parties)	--	--	986.335	986.335	7
Other payables (including due to related parties)	--	--	2.286	2.286	
Derivatives	--	(1.107)	--	(1.107)	23

31 December 2018	**Amortized cost**	**Derivative financial instruments**	**Financial liabilities at amortised cost**	**Carrying value**	***Note***
Financial assets					
Cash and cash equivalents	26.987	--	--	26.987	*5*
Trade receivables (including due from related parties)	65.775	--	--	65.775	*7*
Other receivables	581	--	--	581	
Financial liabilities					
Bank borrowings	--	--	8.500	8.500	*6*
Trade payables (including due to related parties)	--	--	777.142	777.142	*7*
Other payables	--	--	1.990	1.990	

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.

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

NOTE 25 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

Fair values of financial instruments:

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

• Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

• Level 2: Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

• Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of 30 June 2019 is as follows:

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

	Level 1	Level 2	Level 3
30 June 2019			
Derivative instruments	--	(1.107)	--
	--	**(1.107)**	**--**

NOTE 26 – EVENTS AFTER THE REPORTING PERIOD

In addition to this, the Company made an announcement on Public Disclosure Platform on 6 August 2019 in accordance with the CMB's principal decision numbered 11/352 and 10 April 2014 dated as detailed below:

"The Company issued its financial statements as at 30 June 2019 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL(-) 159.509.533 and the brand value which is the off-balance sheet asset of the Company is amounting to full TL 315.159.000 are considered in accordance with the CMB's principal decision numbered 2014/11. There is no change in the negative equity status of the Company in these financial statements which are prepared in accordance with above mentioned the CMB regulations. As a result, statement of financial position is prepared in accordance with the related article of TCC 376 based on the CMB's principal decision numbered 2014/11. The brand value is included in the statement of financial position prepared in accordance with the related article of TCC 376.

Equity of this statement of financial position prepared in accordance with the related article of TCC 376 is amounting to full TL (+) 155.649.447. This indicates that the Company maintains its share capital amounting to full TL 110.000.000 in equity status."