

**TEKNOSA İÇ VE DIŞ TİCARET
ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH
OF CONDENSED INTERIM FINANCIAL
STATEMENTS AS AT AND FOR THE
NINE MONTH PERIOD ENDED
30 SEPTEMBER 2020**

(Originally issued in Turkish)

2 November 2020

This report includes 40 pages of condensed financial statements and notes to the condensed financial statements.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in thousands of TL unless otherwise indicated.)

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TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

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

		Current period	Prior period
		<i>Unreviewed</i>	<i>Audited</i>
		30 September	31 December
	<i>Notes</i>	2020	2019
ASSETS			
Current assets		1.373.087	994.466
Cash and cash equivalents	5	264.263	37.267
Trade receivables	7	86.787	66.362
<i>Trade receivables from related parties</i>	4,7	12.897	677
<i>Trade receivables from third parties</i>	7	73.890	65.685
Inventories	8	973.513	860.128
Prepaid expenses	9	26.688	5.817
Derivatives	23	400	--
Other current assets	17	21.436	24.892
Non-current assets		424.544	518.110
Other receivables		596	496
Investment property	10	29.222	29.222
Right of use assets	11	236.429	321.898
Property, plant and equipment	12	54.150	59.737
Intangible assets	13	37.622	35.813
Prepaid expenses	9	18	27
Deferred tax assets		66.507	70.917
TOTAL ASSETS		1.797.631	1.512.576

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 SEPTEMBER 2020

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

		Current	Prior period
		<i>Unreviewed</i>	<i>Audited</i>
	<i>Notes</i>	30 September	31 December
		2020	2019
LIABILITIES			
Current liabilities		1.831.613	1.481.540
Short-term loans and borrowings	6	392.563	105.521
Short portion of long-term rent liabilities	6	93.430	84.720
<i>Short portion of long-term rent liabilities to related parties</i>	4	1.324	980
<i>Short portion of long-term rent liabilities to third parties</i>		92.106	83.740
Trade payables	7	1.241.260	1.232.640
<i>Trade payables to related parties</i>	4,7	3.715	5.475
<i>Trade payables to third parties</i>	7	1.237.545	1.227.165
Payables related to employee benefits	14	32.285	17.931
Other payables		3.089	2.349
<i>Other payables to third parties</i>		3.089	2.349
Deferred revenue	9	22.268	14.928
Short-term provisions		26.494	20.668
<i>Short-term provisions for employee benefits</i>	14	15.460	10.169
<i>Other short-term provisions</i>	15	11.034	10.499
Other current liabilities	17	20.224	2.783
Non-current liabilities		201.703	282.889
Long-term rent liabilities	6	188.806	272.918
<i>Long-term rent liabilities to related parties</i>	4	2.720	3.297
<i>Long-term rent liabilities to third parties</i>		186.086	269.621
Long-term provisions for employee benefits	14	12.897	9.971
EQUITY		(235.685)	(251.853)
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		312	--
<i>Cash flow hedge reserve</i>		312	--
Other comprehensive income that will not		23.867	23.867
<i>Gains on revaluation of property, plant and equipment</i>		28.149	28.149
<i>Losses on remeasurement of defined benefit plans</i>		(4.282)	(4.282)
Accumulated losses		(401.055)	(252.421)
Net profit/(loss) for the period		15.856	(148.634)
TOTAL LIABILITIES		1.797.631	1.512.576

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 NINE MONTH PERIOD ENDED 30
SEPTEMBER 2020

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

		Current period	Current period	Prior period	Prior period
		<i>Unreviewed</i>	<i>Unreviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>
		1 January- 30	1 July- 30	1 January-30	1 July- 30
	<i>Notes</i>	September	September	September	September
		2020	2020	2019	2019
Revenue	18	3.674.296	1.670.778	2.879.903	1.037.142
Cost of revenue (-)	18	(3.082.489)	(1.376.136)	(2.375.718)	(852.783)
GROSS PROFIT		591.807	294.642	504.185	184.359
Marketing expenses (-)	19	(359.211)	(134.144)	(357.951)	(122.946)
General administrative expenses (-)	19	(49.910)	(19.190)	(44.673)	(13.730)
Other income from operating activities	20	50.611	12.721	26.821	8.299
Other expenses from operating activities (-)	20	(69.553)	(28.541)	(135.125)	(39.159)
OPERATING PROFIT		163.744	125.488	(6.743)	16.823
Income from investing activities	21	5.680	3.623	113	(274)
Expenses from investing activities (-)	21	(2.888)	(1.313)	(5)	1
Impairment gain/ (loss) and reversal of impairment determined in accordance with TFRS 9		(209)	--	284	374
OPERATING PROFIT BEFORE FINANCE EXPENSE		166.327	127.798	(6.351)	16.924
Finance expenses (-)	22	(151.394)	(53.737)	(155.837)	(60.326)
Finance income	22	5.245	3.983	685	3
OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX		20.178	78.044	(161.503)	(43.399)
Tax (expense)/income					
- Deferred tax (expense)/income		(4.322)	(15.458)	32.084	8.173
PROFIT/(LOSS) FOR THE PERIOD		15.856	62.586	(129.419)	(35.226)
Attributable to:					
Non-controlling interests		--	--	--	--
Owners of the Company		15.856	62.586	(129.419)	(35.226)
OTHER COMPREHENSIVE INCOME / (LOSS)					
Items that will not be reclassified to profit or loss					
<i>Gains/(losses) on remeasurement of defined benefit plans</i>		--	--	--	--
<i>Income tax related to items that will not be reclassified to profit or loss</i>		--	--	--	--
Items that are or may be reclassified to profit or loss					
		312	374	--	863
<i>Losses on cash flow hedges losses and profits</i>		400	479	--	1.107
<i>Income tax related to items that are or may be reclassified to profit or loss</i>		(88)	(105)	--	(244)
TOTAL COMPREHENSIVE INCOME/(LOSS)		16.168	62.960	(129.419)	(34.363)
Earnings/(loss) per share [(For 1 lot share)]		0.1470	0.5724	(1.1765)	(0.3124)
Diluted earnings/(loss) per share [(For 1 lot share)]		0.1470	0.5724	(1.1765)	(0.3124)

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(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			
	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’ losses	Net income/ (loss) for the period	Total equity
<u>Prior 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	--	--	--	--	--	--	--	--	(129.419)	(129.419)
Balance at 30 September 2019	110.000	6.628	8.704	3	(3.201)	27.209	--	(252.421)	(129.419)	(232.497)
<u>Current period</u>										
Balance at 1 January 2020	110.000	6.628	8.704	3	(4.282)	28.149	--	(252.421)	(148.634)	(251.853)
Transfers	--	--	--	--	--	--	--	(148.634)	148.634	--
Total comprehensive income	--	--	--	--	--	--	312	--	15.856	16.168
Balance at 30 September 2020	110.000	6.628	8.704	3	(4.282)	28.149	312	(401.055)	15.856	(235.685)

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

	<i>Notes</i>	Current period <i>Unreviewed</i> 1 January – 30 September 2020	Prior period <i>Reviewed</i> 1 January – 30 September 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES:			
Income/(Loss) for the period		15.856	(129.419)
<i>Adjustments:</i>			
Adjustments for financial expenses / income	22	146.149	155.152
Adjustments for depreciation and amortisation expenses	10,11,12,13	88.852	101.260
Adjustments for fair value (gains) or losses on derivative financial instruments	23	(400)	--
Adjustments for (reversal)/provision for employee benefits		10.390	7.678
Adjustments for impairment / (reversal) of receivables	7	209	(284)
Adjustments for (reversal)/provision for other provisions		1.369	(2.561)
Adjustments for the (gains)/losses on sales of property, plant and equipment	21	2.847	(3)
Adjustments for reversal of impairment of property, plant and equipment	12,13	(1.820)	(3.642)
Adjustments for (reversal)/impairment of inventory	8	8.523	2.417
Adjustments for interest income	21	(5.639)	(105)
Adjustments for tax expense/(income)		4.322	(32.084)
		270.658	98.409
Changes in working capital:			
(Increase)/decrease in trade receivables from third parties		(8.414)	(8.318)
(Increase)/decrease in trade receivables from related parties	4	(12.220)	152
Increase in inventories	8	(121.908)	(125.333)
(Increase)/decrease in other assets related to operations		4.622	303
(Increase)/decrease in trade payables to third parties		10.380	152.888
Decrease in trade payables to related parties	4	(1.760)	(3.074)
(Increase)/Decrease in other liabilities related to operations		(8.956)	527
Payments related to provisions for employee benefits		(2.173)	(6.253)
Payments related to other provisions		(834)	(3.049)
Cash used in operations		129.395	106.252
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	12	(8.546)	(19.876)
Acquisition of intangible assets	13	(13.855)	(7.863)
Proceeds from sale of property, plant and equipment and intangible assets		41	5.155
Interest received		5.639	105
Cash used in investment activities		(16.721)	(22.479)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Other financing cost paid		(72.148)	(69.362)
Payments for operating leases	6	(73.975)	(104.441)
Proceeds from bank borrowings	6	280.000	112.500
Repayments of bank borrowings	6	(24.468)	(25.991)
Cash provided from financing activities		109.409	(87.294)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		222.083	(3.521)
The effect of changes in foreign exchange rates on cash and cash equivalents in foreign currency		4.913	(1.323)
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	264.263	22.143

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

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 2.299 as at 30 September 2020 (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, 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 213 stores with 96.872 square meters retail space as at 30 September 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

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 September 2020, 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 2019.

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

Approval of financial statements:

The accompanying financial statements are approved by the Company’s Board of Directors on 2 November 2020. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

2.1 Basis of presentation (Continued)

(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 foreign exchange expense arising from foreign currency deposits amounting TL 2.038 previously presented under “other expense from operating activities” to “finance expenses” in its statement of profit or loss and other comprehensive income for nine month periods ended 30 September 2019.
- The Company reclassified foreign exchange income arising from foreign currency deposits amounting TL 685 previously presented under “other income from operating activities” to “finance income” in its statement of profit or loss and other comprehensive income for nine month periods ended 30 September 2019.

The related reclassification has no effect on the loss for the nine months period ended 30 September 2019.

The reclassifications are considered in the preparation of the condensed interim statement of cash flows for the nine months period ended 30 September 2019.

2.2 Changes in accounting policies

The accounting policies applied in the interim summary financial statements of the company are the same as the accounting policies applied in the financial statements as of the year ending on 31 December 2019.

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

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 judgements, 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 September 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:

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

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

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

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 30 September 2020 (Continued)

Standards issued but not yet effective and not early adopted (Continued)

Concessions in lease payments related to Covid-19 (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. (Note 20)

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.)

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

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

2.4 Summary of Significant Accounting Policies (Continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

Reference to the Conceptual Framework (Amendments to IFRS 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.

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.

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.

IASB developed amendments to IAS 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.

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Annual Improvements 2018-2020 Period

Improvements in IFRS

IASB issued Annual Improvements to IFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 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 IFRS Standards. This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

IFRS 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.

IFRS 16 Leases, Illustrative Example 13

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

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

2.5 Critical judgments and estimates

Critical judgments in applying the Company’s accounting policies

Estimated impairment of tangible 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 canceled the net impairment amounting to TL 1.820 as of 30 September 2020 (30 September 2019: TL 3.642) (Note 12).

Impairment 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 23.545 as at 30 September 2020 (31 December 2019: TL 15.022).(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 September 2020, the amount offset from the deferred revenue from the gift checks recognised in the financial statement is amounting to TL 7.154 (31 December 2019: TL 6.262) (Note 9).

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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 profit amounting to TL 15.856 for the period ended 30 September 2020. Accumulated losses is amounting to TL 401.055 as at 30 September 2020. The Company’s total negative equity amount is TL 235.685 together with the accumulated losses as at 30 September 2020.

The Company’s intangible asset, Teknosa and the İklimsa Brand, were subject to valuation by Ernst&Young Kurumsal Finansman Danışmanlık A.Ş. on 24 March 2020 and it was concluded that its value was 458.500.000 full TL.

In addition to this, the Company made an announcement on Public Disclosure Platform on 2 November 2020 in accordance with the CMB’s principal decision numbered 11/352 as detailed below:

“The Company issued its financial statements as at 30 September 2020 which are prepared in accordance with the CMB regulations. The Company’s equity in these financial statements amounting to full TL(-) 235.685.187 and the brand value which is the off-balance sheet asset of the Company is amounting to full TL 458.500.000 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 (+) 297.170.646. This indicates that the Company maintains its share capital amounting to full TL 110.000.000 in equity status.”

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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 September 2020		
	Stores and E-Commerce	Dealer Group	Total
Total segment income	3.464.486	209.810	3.674.296
Income from third party	3.464.486	209.810	3.674.296
Adjusted EBIT	257.418	18.842	276.260
	1 January-30 September 2019		
	Stores and E-Commerce	Dealer Group	Total
Total segment income	2.697.448	182.455	2.879.903
Income from third party	2.697.448	182.455	2.879.903
Adjusted EBIT	198.397	8.046	206.983
	1 July-30 September 2020		
	Stores and E-Commerce	Dealer Group	Total
Total segment income	1.587.587	83.191	1.670.778
Income from third party	1.587.587	83.191	1.670.778
Adjusted EBIT	164.070	7.806	171.876
	1 July-30 September 2019		
	Stores and E-Commerce	Dealer Group	Total
Total segment income	983.643	53.499	1.037.142
Income from third party	983.643	53.499	1.037.142
Adjusted EBIT	82.585	665	83.250

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NOTE 3 – SEGMENT REPORTING (Continued)

	1 January-30 September 2020	1 July – 30 September 2020	1 January – 30 September 2019	1 July – 30 September 2019
Reconciliation of Adjusted EBIT with profit before taxes:	276.260	171.876	206.983	83.250
Depreciation and amortisation expenses	(88.852)	(28.040)	(101.260)	(33.379)
Finance income/(expense),net	(146.149)	(49.754)	(155.152)	(59.881)
Income / (expense) from investing activities	2.792	2.310	3.561	3.180
Effect of changing TFRS 9, net	(209)	--	284	374
Other income / (expenses), net	(18.942)	(15.820)	(111.758)	(34.756)
Provision for employee termination benefits	(4.722)	(2.528)	(4.161)	(2.187)
Income/(Loss) before tax	20.178	78.044	(161.503)	(43.399)

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 September 2020	
	Receivables	Payables
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	10.621	612
Aksigorta A.Ş.	994	--
Akbank T.A.Ş.	927	--
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	157	--
Hacı Ömer Sabancı Holding A.Ş.	72	20
Akçansa Çimento San. ve Tic. A.Ş.	60	--
Ak Finansal Kiralama A.Ş.	26	--
Çimsa Çimento San.ve Tic.A.Ş.	26	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	11	2.633
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	2	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	1	432
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	--	18
	12.897	3.715

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NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	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

	30 September 2020	31 December 2019
Deposit accounts in Akbank T.A.Ş.		
Time deposit	177.256	--
Demand deposit	6.505	12.213
	183.761	12.213

	30 September 2020	31 December 2019
Credit card slip receivables in Akbank T.A.Ş.		
Credit card slip receivables	4.130	3.069
	4.130	3.069

	1 January – 30 September 2020		
	Sale of goods	Rent expense	Other income / (expenses)
Transactions with related parties			
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	25.897	(1.528)	(1.981)
Akbank T.A.Ş.	3.297	--	--
Aksigorta A.Ş.	833	--	(2.887)
Kordsa Global End. İplik ve Kordbezi San. A.Ş.	217	--	--
Akçansa Çimento San. ve Tic. A.Ş.	210	--	--
H.Ö. Sabancı Holding A.Ş.	161	--	(73)
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	95	--	(3.399)
Avivasa Emeklilik ve Hayat A.Ş.	90	--	--
Ak Finansal Kiralama A.Ş.	71	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	44	--	--
Çimsa Çimento San.ve Tic.A.Ş.	42	--	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	9	--	(5.062)
Akøde Elektronik Para ve Ödeme Hizmetleri A.Ş.	--	--	8
	30.966	(1.528)	(13.394)

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NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties	1 January - 30 September 2019		
	Sale of goods	Rent expense	Other income / (expenses)
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	3.831	(1.150)	(1.411)
Akbank T.A.Ş.	2.008	--	--
Aksigorta A.Ş.	253	--	351
Avivasa Emeklilik ve Hayat A.Ş.	236	--	--
Çimsa Çimento San.ve Tic.A.Ş.	169	--	--
Kordsa Teknik Tekstil A.Ş.	121	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	95	--	(3.852)
Akçansa Çimento San. ve Tic. A.Ş.	52	--	--
Yünsa Yünlü San. Ve Tic. A.Ş.	34	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	31	--	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	--	--	(419)
	6.830	(1.150)	(5.331)

The details of short and long term rent liabilities to related parties as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Short portion of long-term rent liabilities to related parties	1.324	980
Long-term rent liabilities to related parties	2.720	3.297
	4.044	4.277

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 September 2020 and 2019 are as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Salaries and other benefits	4.814	3.588
	4.814	3.588

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NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Cash	3.388	2.676
Time deposit	227.271	--
Demand deposit	15.983	15.351
Credit card slip receivables	17.621	19.240
	264.263	37.267

The Company does not have any blocked deposits as at 30 September 2020 and 31 December 2019.

The Company does not have any time deposits as at 31 December 2019. 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	30 September 2020
TL	1 October 2020	% 11,50	227.200
		Accrual of interest	71
			227.271

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 September 2020 and 31 December 2019 are as follows:

	30 September 2020			
	Currency	Interest rate	Amount	Maturity
Bank borrowings	TL	% 10	392.563	2020 / 2021
Short-term loans and borrowings			392.563	
	31 December 2019			
	Currency	Interest rate	Amount	Maturity
Bank borrowings	TL	% 12	105.521	2020
Short-term loans and borrowings			105.521	

The reconciliation of the Company's liabilities arising from bank loans for the accounting periods ending on 30 September 2020 and 2019 is as follows:

	2020	2019
Bank borrowings as of January 1	105.521	8.500
Credit principal entries during the period	280.000	112.500
Interest and principal repayments during the period	(24.468)	(25.991)
Interest expense during the period (including accruals)	31.510	26.040
Bank borrowings as of September 30	392.563	121.049

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NOTE 6 – LOANS AND BORROWINGS (Continued)

Finance lease payables consist of the followings:

Lease Liabilities	Present value of minimum lease payments	
	30 September 2020	31 December 2019
Within one year	109.110	102.848
Less: future finance charges	(15.680)	(18.128)
Present value of lease liabilities	93.430	84.720
Within two years and after	220.492	331.317
Less: future finance charges	(31.686)	(58.399)
Present value of lease liabilities	188.806	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.

The reconciliation of the Company's liabilities arising from leasing activities for the accounting periods ending on September 30, 2020 and 2019 is as follows:

	2020	2019
Lease liabilities as of 1 January	357.637	394.398
Increase/(decrease) in lease liabilities during the period	(48.829)	15.512
Lease payments during the period	(73.975)	(104.441)
Interest expense during the period	47.357	58.397
Effects of exchange rate changes	46	30
Lease liabilities as of September 30	282.236	363.896

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as at 30 September 2020 and 31 December 2019 are as follows:

Short term trade receivables:

	30 September 2020	31 December 2019
Trade receivables	44.531	46.684
Notes receivables	36.557	25.990
Due from related parties (Note 4)	12.897	677
Allowance for doubtful receivables (-)	(7.198)	(6.989)
	86.787	66.362

The movement of the allowance for doubtful receivables for the period ended 30 September 2020 and 2019 is as follows:

	2020	2019
As at 1 January	6.989	9.646
Charge for the period	(46)	(284)
Reversal	255	--
As at 30 September	7.198	9.362

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NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

The average maturity of the Company's trade receivables is 1-7 days for retail receivables and 53 days for dealer groups. (31 December 2019: For retail: 1-7 days, 80 days for dealer receivables). As of 30 September 2020, the Company does not apply overdue interest on trade receivables. (31 December 2019: None).

As at 30 September 2020 and 31 December 2019, the Company holds the collaterals listed below for the checks, notes and trade receivables:

	30 September 2020	31 December 2019
Letters of guarantees received	71.530	69.892
Mortgages	9.572	9.572
	81.102	79.464

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 81.102 (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 Company's exposure to foreign currency risk for short-term trade receivables are disclosed in Note 24.

Short term trade payables:

	30 September 2020	31 December 2019
Trade payables	1.190.176	1.224.392
Expense accruals	47.369	2.773
Due to related parties (Note 4)	3.715	5.475
	1.241.260	1.232.640

As at 30 September 2020, the Company offset income accruals from its suppliers amounting to TL 69.182 with trade payables (31 December 2019: TL 68.090). Average payment terms of trade payables is 95 days (31 December 2019: 104 days). The Company does not have payments on a monthly basis for late interest as of 30 September 2020. (31 December 2019: None.)

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

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NOTE 8 – INVENTORIES

The details of the inventories as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Trading goods	969.937	826.929
Goods in transit	27.121	48.221
Allowance for impairment on inventories (-)	(23.545)	(15.022)
	973.513	860.128

The movements of allowance on inventories for the periods ended at 30 September 2020 and 2019 are as below

<i>Allowance for impairment on inventories:</i>	2020	2019
As at 1 January	(15.022)	(14.949)
Change for the period/used in the period, net	(8.523)	(2.417)
As at 30 September	(23.545)	(17.366)

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of prepaid expenses as at 30 September 2020 and 31 December 2019 are as follows:

<i>Short-term prepaid expenses</i>	30 September 2020	31 December 2019
Advances given for inventories	23.602	5.489
Short term prepaid expenses	3.086	328
	26.688	5.817
<i>Long-term prepaid expenses</i>	30 September 2020	31 December 2019
Long term prepaid expenses	18	27
	18	27

The details of the deferred revenue as at 30 September 2020 and 31 December 2019 are as follows:

<i>Short-term deferred revenue</i>	30 September 2020	31 December 2019
Advances received	15.033	8.372
Income from gift cards	7.154	6.262
Other	81	294
	22.268	14.928

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NOTE 10 – INVESTMENT PROPERTY

The net book value of the investment properties of the company is TL 29.222 as of 30 September 2020.(31 December 2019: TL 29.222)

The Company generates rental income by TL 1.121 (2019: TL 687) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 433 (2019: TL 588). 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 2020.

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 September 2020 and 31 December 2019 there is no mortgage on investment properties.

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NOTE 11 – RIGHT OF USE ASSET

The movement of the right of use assets for the period ended 30 September 2020 is as follows:

Cost value	Buildings	Vehicles	Total
1 January 2020 opening balance	418.999	3.376	422.375
Disposals	(21.728)	-	(21.728)
30 September 2020 closing balance	397.271	3.376	400.647
<u>Accumulated depreciation</u>			
1 January 2020 opening balance	(99.893)	(584)	(100.477)
Charge for the period	(62.323)	(1.418)	(63.741)
30 September 2020 closing balance	(162.216)	(2.002)	(164.218)
Net carrying amount as of 1 January 2020	319.106	2.792	321.898
Net carrying amount as of 30 September 2020	235.055	1.374	236.429

For the period ended 30 September 2020, thereof TL 61.127 of depreciation charges included in marketing expenses (30 September 2019: 73.684) and TL 2.614 included in general administrative expenses (30 September 2019: 3.151).

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

Cost value	Buildings	Vehicles	Total
1 January 2019 opening balance	391.022	3.376	394.398
Additions	13.940	--	13.940
Prepaid expenses	1.572	--	1.572
30 September 2019 closing balance	406.534	3.376	409.910
<u>Accumulated depreciation</u>			
1 January 2019 opening balance	--	--	--
Charge for the period	(75.495)	(1.340)	(76.835)
30 September 2019 closing balance	(75.495)	(1.340)	(76.835)
Net carrying amount as of 1 January 2019	391.022	3.376	394.398
Ne carrying amount as of 30 September 2019	331.039	2.036	333.075

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENTS

The movement of tangible assets and related accumulated depreciation for the period ended 30 September 2020 are as follows:

Cost	Land	Building	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2020	15.384	5.435	369	57	81.249	105.740	1.546	209.780
Additions	--	--	--	--	3.570	1.783	3.193	8.546
Disposals	--	--	--	--	(902)	(10.296)	--	(11.198)
Allowance for impairment	--	--	--	--	(1.180)	(912)	--	(2.092)
Reversal of impairment	--	--	--	--	212	5.764	--	5.976
Transfers	--	313	--	--	815	1.510	(3.682)	(1.044)
Balance at 30 September 2020	15.384	5.748	369	57	83.764	103.589	1.057	209.968
Accumulated depreciation and impairment losses								
Balance at 1 January 2020	--	(3.956)	(369)	(57)	(64.195)	(81.466)	--	(150.043)
Charge for the period	--	(52)	--	--	(5.401)	(6.570)	--	(12.023)
Disposals	--	--	--	--	668	7.644	--	8.312
(Allowance for) / reversal of impairment, net (*)	--	--	--	--	1.084	(3.148)	--	(2.064)
Balance at 30 September 2020	--	(4.008)	(369)	(57)	(67.844)	(83.540)	--	(155.818)
Net carrying amount at 31 December 2019	15.384	1.479	--	--	17.054	24.274	1.546	59.737
Net carrying amount at 30 September 2020	15.384	1.740	--	--	15.920	20.049	1.057	54.150

(*) As of 30 September 2020, the impairment loss and impairment reversed during the period calculated for property, plant and equipment is net TL 1.820 (30 September 2019: TL 3.642). For the period ended 30 September 2020, thereof TL 6.280 of depreciation charges included in marketing expenses (30 September 2019: TL 6.430) and TL 5.743 included in general administrative expenses (30 September 2019: TL 6.860).

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENTS (Continued)

The movement of tangible assets and related accumulated depreciation for the period ended 30 September 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	--	660	--	--	2.342	8.338	8.536	19.876
Disposals	--	--	--	--	(3.562)	(8.977)	--	(12.539)
Allowance for impairment	--	--	--	--	(111)	--	--	(111)
Reversal of impairment	--	--	--	--	373	8.348	--	8.721
Transfers from construction in progress	--	--	--	--	1.878	184	(16.601)	(14.539)
Balance at 30 September 2019	32.051	7.063	369	57	81.478	109.758	1.989	232.765
Accumulated depreciation and impairment losses								
Balance at 1 January 2019	--	(3.892)	(369)	(53)	(61.176)	(76.283)	--	(141.773)
Charge for the period	--	(47)	--	(5)	(6.169)	(7.069)	--	(13.290)
Disposals	--	--	--	--	2.955	4.432	--	7.387
(Allowance for) / reversal of impairment, net	--	--	--	--	(604)	(4.364)	--	(4.968)
Balance at 30 September 2019	--	(3.939)	(369)	(58)	(64.994)	(83.284)	--	(152.644)
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 September 2019	32.051	3.124	--	(1)	16.484	26.474	1.989	80.121

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NOTE 13 – INTANGIBLE ASSETS

Cost	Licenses and Rights	Total
Opening balance at 1 January 2020	121.115	121.115
Additions	13.855	13.855
Disposals	(58)	(58)
Impairment	23	23
Transfers from construction in progress	1.044	1.044
Closing balance at 30 September 2020	135.979	135.979
Accumulated amortisation and impairment losses		
Opening balance at 1 January 2020	(85.302)	(85.302)
Charge for the year	(13.088)	(13.088)
Impairment	(23)	(23)
Disposals	56	56
Closing balance at 30 September 2020	(98.357)	(98.357)
Net book value as at 31 December 2019	35.813	35.813
Net book value as at 30 September 2020	37.622	37.622

Cost	Licenses and Rights	Total
Opening balance at 1 January 2019	104.124	104.124
Additions	7.863	7.863
Disposals	(17)	(17)
Transfers from construction in progress	14.539	14.539
Closing balance at 30 September 2019	126.509	126.509
Accumulated amortisation and impairment losses		
Opening balance at 1 January 2019	(77.125)	(77.125)
Charge for the year	(11.135)	(11.135)
Disposals	17	17
Closing balance at 30 September 2019	(88.243)	(88.243)
Net book value as at 31 December 2018	26.999	26.999
Net book value as at 30 September 2019	38.266	38.266

For the period ended 30 September 2020, thereof TL 7.198 of amortisation charges included in marketing expenses (30 September 2019: TL 6.124) and TL 5.890 included in general administrative expenses (30 September 2019: TL 5.011).

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NOTE 14– PAYABLES RELATED TO EMPLOYEE BENEFITS

The details of payables related to employee benefits as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Social security premiums payable (*)	14.332	9.769
Accrued salaries	11.701	5.273
Income taxes payable	6.252	2.889
	32.285	17.931

(*) Social security premium payment amounting to TL 8.513 was postponed due to Covid-19.

The details of the provisions for employee benefits as at 30 September 2020 and 31 December 2019 are as follows:

<i>Short-term provisions</i>	30 September 2020	31 December 2019
Provision for sales personnel premiums	5.703	5.016
Provision for unused vacation	4.277	3.581
Provision for other premiums	5.480	1.572
	15.460	10.169
<i>Long-term provisions</i>	30 September 2020	31 December 2019
Provision for employee termination benefit	11.606	8.776
Provision for other premium	1.291	1.195
	12.897	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:

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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 September 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 3,90% real discount rate (31 December 2019: 4,55%) calculated by using 8,33% annual inflation rate and 12,56% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel for 0-15 years are taken into consideration as 9,77% and 14,61%, respectively (31 December 2019: 16,05% and 9,63%), and 0% for employees working for 16 years and over. Probability has been determined as 100% for employees whose insurance register began before September 1999 (98 personnel) and the provision has been calculated accordingly.

NOTE 15 – PROVISIONS

The details of the other current provisions as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Provisions for ongoing litigation (*)	6.671	7.040
Provision for cancellation of rent agreements (**)	809	1.023
Other	3.554	2.436
	11.034	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.

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NOTE 16 – COMMITMENTS

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages (“CPM”) given by the Company as at 30 September 2020 and 31 December 2019 are as follows:

CPMs given by the Company

	30 September 2020			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	484.119	3.421	5.738	405.030
- Collaterals	441.912	1.742	3.599	395.458
- Letter of credit	32.635	1.679	2.139	--
- Pledges	--	--	--	--
- Mortgages	9.572	--	--	9.572
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	484.119	3.421	5.738	405.030

CPMs given by the Company

	31 December 2019			
	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 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 September 2020 (31 December 2019: 0%).

As at 30 September 2020 and 31 December 2019, 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.

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NOTE 17 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current and non-current assets as at 30 September 2020 and 31 December 2019 are as follows:

<i>Other current assets</i>	30 September 2020	31 December 2019
Job advances	20.067	482
Personnel advances	202	132
Value added tax ("VAT") receivable	--	23.989
Other current assets	1.167	289
	21.436	24.892

The details of the other current liabilities as at 30 September 2020 and 31 December 2019 are as follows:

<i>Other current liabilities</i>	30 September 2020	31 December 2019
Value added tax ("VAT") payable	16.557	--
Other expense accruals (*)	983	2.237
Other liabilities and obligations	2.684	546
	20.224	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 18 - REVENUE

The details of revenue and cost of revenue for nine month periods ended 30 September 2020 and 2019 are as follows.

<i>Revenue (net)</i>	1 January – 30 September 2020	1 July – 30 September 2020	1 January – 30 September 2020	1 July – 30 September 2019
Retail sales	2.759.640	1.441.361	2.512.414	918.171
E-Commerce sales	704.846	146.226	185.034	65.472
Distributor sales	209.810	83.191	182.455	53.499
	3.674.296	1.670.778	2.879.903	1.037.142

<i>Cost of revenue</i>	1 January – 30 September 2020	1 July – 30 September 2020	1 January – 30 September 2019	1 July – 30 September 2019
Cost of trading goods sold	(3.070.895)	(1.372.245)	(2.364.068)	(848.911)
Installation and warranty expenses	(11.594)	(3.891)	(11.650)	(3.872)
	(3.082.489)	(1.376.136)	(2.375.718)	(852.783)

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NOTE 19 –MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for nine month periods ended 30 September 2020 and 2019 are as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<i>Marketing expenses</i>				
Personnel expenses	(124.625)	(50.110)	(125.432)	(42.825)
Depreciation and amortisation expenses	(74.605)	(22.983)	(86.238)	(28.635)
Rent expenses	(54.671)	(26.297)	(44.521)	(16.077)
Advertising and promotion expenses	(39.176)	(11.638)	(44.567)	(12.097)
Transportation expenses	(20.516)	(7.639)	(16.505)	(5.667)
Consultancy expenses	(16.147)	(5.854)	(9.114)	(5.260)
Energy, fuel, water expenses	(9.054)	(2.658)	(12.228)	(5.165)
Maintenance expenses	(6.087)	(2.238)	(4.868)	(1.849)
Communication expenses	(872)	(260)	(895)	(281)
Travel and accommodation expenses	(358)	(42)	(969)	(417)
Other expenses	(13.100)	(4.425)	(12.614)	(4.673)
	(359.211)	(134.144)	(357.951)	(122.946)

The details of administrative expenses for nine month periods ended 30 September 2020 and 2019 are as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<i>Administrative expenses</i>				
Personnel expenses	(19.584)	(8.892)	(14.169)	(4.668)
Depreciation and amortisation expenses	(14.247)	(5.057)	(15.022)	(4.744)
IT expenses	(10.836)	(3.399)	(8.684)	(3.005)
Consultancy expenses	(2.832)	(893)	(4.417)	(429)
Maintenance expenses	(485)	(163)	(365)	(114)
Rent expenses	(434)	(196)	(302)	(198)
Travel expenses	(155)	(28)	(339)	(171)
Energy, fuel, water expenses	(50)	(14)	(116)	(26)
Other expenses	(1.287)	(548)	(1.259)	(375)
	(49.910)	(19.190)	(44.673)	(13.730)

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NOTE 20 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

<i>Other income from operating activities</i>	1 January – 30 September 2020	1 July - 30 September 2020	1 January – 30 September 2019	1 July - 30 September 2019
Concessions on lease payments.(**)	27.102	3.338	--	--
Foreign exchange gains	9.200	2.220	7.140	2.318
Interest income	7.594	4.485	13.252	4.311
Gift cards	1.975	266	879	501
Non-current asset impairment	1.822	1.207	--	--
Income from personnel	729	311	567	226
Reversal of provisions for cancellation of rent agreements (*)	285	--	1.000	--
Other income	1.904	894	3.983	943
	50.611	12.721	26.821	8.299

(*) 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 nine month periods ended 30 September 2020, reversal of provisions for cancellation of rent agreement is amounting to TL 285 (2019: 1.000).

(**) 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 nine month periods ended 30 September 2020 and 2019 are as follows:

<i>Other expense from operating activities</i>	1 January – 30 September 2020	1 July - 30 September 2020	1 January – 30 September 2019	1 July - 30 September 2019
Interest expenses on payables	(47.066)	(18.649)	(111.790)	(32.030)
Foreign exchange loss	(10.968)	(3.356)	(11.183)	(2.250)
Litigation expenses	(2.142)	(72)	(4.364)	(1.163)
Other expenses	(9.377)	(6.464)	(7.788)	(3.716)
	(69.553)	(28.541)	(135.125)	(39.159)

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NOTE 21 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income by investment activities

The details of income from investing activities for nine month periods ended 30 September 2020 and 2019 are as follows:

	1 January – 30 September 2020	1 July - 30 September 2020	1 January – 30 September 2019	1 July - 30 September 2019
Interest income on time deposits	5.639	3.589	105	--
Gain from sale of fixed assets	41	34	8	(274)
	5.680	3.623	113	(274)

Expense by investment activities

The details of expense from investing activities for nine month periods ended 30 September 2020 and 2019 are as follows:

	1 January – 30 September 2020	1 July – 30 September 2020	1 January –30 September 2019	1 July - 30 September 2019
Loss from sale of fixed assets	(2.888)	(1.313)	(5)	1
	(2.888)	(1.313)	(5)	1

NOTE 22 – FINANCE EXPENSES

The details of finance expense for nine month periods ended 30 September 2020 and 2019 are as follows:

Finance Expenses	1 January –30 September 2020	1 July – 30 September 2020	1 January –30 September 2019	1 July - 30 September 2019
Credit card discount expenses	(66.767)	(26.790)	(26.652)	(9.346)
Interest expense due to lease liabilities	(47.357)	(15.002)	(58.397)	(18.882)
Interest and commission expenses	(31.511)	(9.595)	(26.040)	(11.660)
Credit card commission expenses	(3.645)	(1.528)	(41.278)	(18.169)
Guarantee letters commission expenses	(1.545)	(654)	(1.214)	(433)
Foreign exchange expenses	(378)	(106)	(2.038)	(1.798)
Other finance expenses	(191)	(62)	(218)	(38)
	(151.394)	(53.737)	(155.837)	(60.326)

The details of finance income for nine month periods ended 30 September 2020 and 2019 are as follows:

	1 January –30 September 2020	1 July – 30 September 2020	1 January –30 September 2019	1 July - 30 September 2019
Foreign exchange income	5.245	3.983	685	3
	5.245	3.983	685	3

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NOTE 23 – DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2020	
	Assets	Liabilities
Foreign currency forward contracts	400	--
<i>Short-term</i>	<i>400</i>	--
	400	--

As at 30 September 2020, the Company signed foreign currency forward contracts with the maturities in nine months in order to hedge the foreign exchange exposures arising from the purchases denominated in foreign currency of the dealers. As at 30 September 2020 the total nominal amount of foreign exchange forward contracts that the Company is obliged to realize and which are not due is TL 4.263 (546 thousand USD). As at 30 September 2020, fair value of the Company's foreign currency forward contracts is estimated to be approximately TL 400 as a asset. 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 400 has been accounted for under equity. As at 31 December 2019, there is no signed foreign currency forward contracts.

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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 September 2020			
	TL equivalent	USD	EUR	Other
1. Trade receivable	1.678	154	52	--
2a. Monetary financial assets (including cash on hand and bank accounts)	15.879	1.358	578	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	1.743	222	1	--
4. Current assets (1+2+3)	19.300	1.734	631	--
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	446	56	1	--
8. Non-current assets (5+6+7)	446	56	1	--
9. Total assets (4+8)	19.746	1.790	632	-
10. Trade payables	(22.628)	(692)	(1.887)	(6)
11. Financial liabilities	(9)	--	(1)	--
12a. Other monetary liabilities	--	--	--	--
12b. Non-monetary other liabilities	(2.923)	(372)	(2)	--
13. Current liabilities (10+11+12)	(25.560)	(1.064)	(1.890)	(6)
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)	(25.560)	(1.064)	(1.890)	(6)
19. Net position of financial statement (9+18)	(5.814)	726	(1.258)	(6)
Off-balance sheet derivative assets	4.263	546	--	--
Off-balance sheet derivative liabilities	--	--	--	--
20. Net position of foreign currency derivatives	4.263	546	--	--
21. Net position of foreign currency asset / (liability) (19+20)	(1.551)	1.272	(1.258)	(6)
22. Net position of monetary foreign currency asset / (liability) (TFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	(5.080)	820	(1.258)	(6)
23. Total fair value of foreign currency hedge	400	51	--	--
24. The amount for the hedged portion foreign currency assets	--	--	--	--
25. The amount for the hedged portion of foreign currency liabilities	--	--	--	--

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

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

Foreign currency risk (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	<u>30 September 2020</u>		<u>30 September 2020</u>	
	Profit / Loss		Equity	
	Appreciation of foreign currencies	Depreciation of foreign currencies	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL				
1 - USD Dollars net assets/liabilities	993	(993)	--	--
2- Amount hedged for USD risk (-)	--	--	426	(426)
3- USD net effect (1 +2)	993	(993)	426	(426)
In case 10% appreciation of EUR against TL				
4 - EUR net assets/liabilities	(1.148)	1.148	--	--
5 - Amount hedged for EUR risk (-)	--	--	--	--
6- EUR net effect (4+5)	(1.148)	1.148	--	--
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)	(155)	155	426	(426)

Foreign Currency Sensitivity Table

Foreign Currency Sensitivity Table	<u>31 December 2019</u>	
	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	--	--
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	--	--
TOTAL (3+6+9)	(904)	904

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

	Amortized cost	Derivative financial instruments	Financial liabilities at amortised cost	Carrying value	Note
30 September 2020					
Financial assets					
Cash and cash equivalents	264.263	--	--	264.263	5
Trade receivables (including due from related parties)	86.787	--	--	86.787	7
Other receivables (including due from related parties)	596	--	--	596	
Financial liabilities					
Bank borrowings	--	--	392.563	392.563	6
Lease liabilities (including due to related parties)	--	--	282.236	282.236	6
Trade payables (including due to related parties)	--	--	1.241.260	1.241.260	7
Other payables	--	--	3.089	3.089	
Derivatives	--	400	--	400	23
31 December 2019					
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	
Financial liabilities					
Bank borrowings	--	--	105.521	105.521	6
Leasing liabilities (including due to related parties)	--	--	357.638	357.638	6
Trade payables (including due to related parties)	--	--	1.232.640	1.232.640	7
Other payables	--	--	2.349	2.349	

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.

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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: Financial assets and liabilities are valued at the stock market prices traded in the active market for the same assets and liabilities.
- Level 2: Financial assets and liabilities are valued from the inputs used to find the direct or indirectly observable price of the relevant asset or liability other than the stock exchange price specified at the first level.
- Level 3: Financial assets and liabilities are valued from inputs that are not based on any observable data in the market used in finding the fair value of the asset or liability.

Fair value hierarchy table as of 30 September 2020 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 September 2020			
Derivative instruments	--	400	--
	--	400	--

NOTE 26 – 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 corner stores opened in the 23 stores of Carrefoursa and teknosa.com. Company activities on the online channel have increased their impact and importance on financial and operational terms compared to previous periods.

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NOTE 26 – 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. (Continued)

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 24 corner stores opened in Carrefoursa stores. 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 30 September 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 interim 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 27 - EVENTS AFTER THE REPORTING PERIOD

The Company made an announcement on Public Disclosure Platform on 2 November 2020 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 September 2020 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL(-) 235.685.187 and the brand value in valuation report dated 24 March 2020 which is the off-balance sheet asset of the Company is amounting to full TL 458.500.000 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 (+) 297.170.646. This indicates that the Company maintains its share capital amounting to full TL 110.000.000 in equity status."