

**TEKNOSA İÇ VE DIŞ TİCARET
ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH
OF CONDENSED INTERIM FINANCIAL
STATEMENTS AS AT AND FOR THE
THREE MONTH PERIOD ENDED
31 MARCH 2020**

(Originally issued in Turkish)

30 April 2020

This report includes 34 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 31 MARCH 2020

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

INDEX	PAGE
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	1-2
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	4
CONDENSED INTERIM STATEMENT OF CASH FLOWS.....	5
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	6-34
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS	6
NOTE 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS	6-11
NOTE 3 SEGMENT REPORTING	12
NOTE 4 RELATED PARTY DISCLOSURES	13-15
NOTE 5 CASH AND CASH EQUIVALENTS.....	16
NOTE 6 LOANS AND BORROWINGS	16
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	17-18
NOTE 8 INVENTORIES.....	18
NOTE 9 PREPAID EXPENSES AND DEFERRED REVENUE	18-19
NOTE 10 INVESTMENT PROPERTY	19
NOTE 11 RIGHT OF USE ASSETS	19
NOTE 12 PROPERTY, PLANT AND EQUIPMENT	20-21
NOTE 13 INTANGIBLE ASSETS	22
NOTE 14 PAYABLES RELATED TO EMPLOYEE BENEFITS	23-24
NOTE 15 PROVISIONS.....	24
NOTE 16 COMMITMENTS	25
NOTE 17 OTHER CURRENT ASSETS AND LIABILITIES	26
NOTE 18 REVENUE.....	26
NOTE 19 MARKETING AND ADMINISTRATIVE EXPENSES.....	27
NOTE 20 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	28
NOTE 21 INCOME FROM INVESTING ACTIVITIES	28
NOTE 22 FINANCE EXPENSES	29
NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS.....	29
NOTE 24 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS.....	30-32
NOTE 25 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)	33-34
NOTE 26 EVENTS AFTER THE REPORTING PERIOD.....	34

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

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

		Current period	Prior period
		<i>Unreviewed</i>	<i>Audited</i>
		31 March	31 December
	<i>Notes</i>	2020	2019
ASSETS			
Current assets		996.801	994.466
Cash and cash equivalents	5	48.389	37.267
Trade receivables	7	60.877	66.362
<i>Trade receivables from related parties</i>	4,7	853	677
<i>Trade receivables from third parties</i>	7	60.024	65.685
Inventories	8	870.667	860.128
Prepaid expenses	9	7.378	5.817
Other current assets	17	9.015	24.892
Derivatives	23	475	--
Non-current assets		477.334	518.110
Other receivables		525	496
Investment property	10	29.222	29.222
Right of use assets	11	275.745	321.898
Property, plant and equipment	12	57.427	59.737
Intangible assets	13	35.996	35.813
Prepaid expenses	9	23	27
Deferred tax assets		78.396	70.917
TOTAL ASSETS		1.474.135	1.512.576

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

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

		Current	Prior period
		<i>Unreviewed</i>	<i>Audited</i>
	<i>Notes</i>	31 March	31 December
		2020	2019
LIABILITIES			
Current liabilities		1.513.529	1.481.540
Short-term loans and borrowings	6	362.743	105.521
Short portion of long-term rent liabilities		83.545	84.720
<i>Short portion of long-term rent liabilities to related parties</i>	4	1.035	980
<i>Short portion of long-term rent liabilities to third parties</i>		82.510	83.740
Trade payables	7	999.720	1.232.640
<i>Trade payables to related parties</i>	4,7	1.624	5.475
<i>Trade payables to third parties</i>	7	998.096	1.227.165
Payables related to employee benefits	14	17.651	17.931
Other payables		2.542	2.349
<i>Other payables to third parties</i>		2.542	2.349
Deferred revenue	9	29.284	14.928
Short-term provisions		15.519	20.668
<i>Short-term provisions for employee benefits</i>	14	7.635	10.169
<i>Other short-term provisions</i>	15	7.884	10.499
Other current liabilities	17	2.525	2.783
Non-current liabilities		242.884	282.889
Long-term rent liabilities		231.954	272.918
<i>Long-term rent liabilities to related parties</i>	4	3.015	3.297
<i>Long-term rent liabilities to third parties</i>		228.939	269.621
Long-term provisions for employee benefits	14	10.930	9.971
EQUITY		(282.278)	(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 be reclassified to profit or loss		475	--
<i>Cash flow hedge reserve</i>		475	--
Other comprehensive income that will not be reclassified to profit or loss		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 loss for the period		(30.900)	(148.634)
TOTAL LIABILITIES		1.474.135	1.512.576

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED 31
MARCH 2020

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

		Current period	Prior period
		<i>Unreviewed</i>	<i>Reviewed</i>
	<i>Notes</i>	1 January- 31 March 2020	1 January- 31 March 2019
Revenue	18	1.048.401	840.682
Cost of revenue (-)	18	(874.691)	(698.944)
GROSS PROFIT		173.710	141.738
Marketing expenses (-)	19	(127.537)	(115.063)
General administrative expenses (-)	19	(16.059)	(15.168)
Other income from operating activities	20	6.659	8.962
Other expenses from operating activities (-)	20	(25.037)	(43.336)
OPERATING PROFIT		11.736	(22.867)
Income from investing activities	21	39	608
Expenses from investing activities (-)	21	(394)	(265)
Impairment gain/ (loss) and reversal of impairment determined in accordance with TFRS 9		(210)	(54)
OPERATING PROFIT / (LOSS) BEFORE FINANCE EXPENSE		11.171	(22.578)
Finance expenses (-)	22	(49.550)	(42.883)
OPERATING LOSS BEFORE INCOME TAX		(38.379)	(65.461)
Tax (expense)/income			
- Current tax expense		--	--
- Deferred tax income		7.479	13.231
PROFIT/(LOSS) FOR THE PERIOD		(30.900)	(52.230)
Attributable to:			
Non-controlling interests		--	--
Owners of the Company		(30.900)	(52.230)
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		475	1.018
<i>Gains (losses) on cash flow hedges losses and profits</i>		475	1.018
<i>Income tax related to items that are or may be reclassified to profit or loss</i>		--	--
TOTAL COMPREHENSIVE INCOME/(LOSS)		(30.425)	(51.212)
Earnings/(loss) per share [(For 1 lot share)]		(0,0028)	(0,0047)
Diluted earnings/(loss) per share [(For 1 lot share)]		(0,0028)	(0,0047)

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 profit/ (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	--	--	--	--	--	--	1.018	--	(52.230)	(51.212)
Balance at 31 March 2019	110.000	6.628	8.704	3	(3.201)	27.209	1.018	(252.421)	(52.230)	(154.290)
<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	--	--	--	--	--	--	475	--	(30.900)	(30.425)
Balance at 31 March 2020	110.000	6.628	8.704	3	(4.282)	28.149	475	(401.055)	(30.900)	(282.278)

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

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

	<i>Notes</i>	<i>Unreviewed</i> 1 January – 31 March 2020	<i>Reviewed</i> 1 January – 31 March 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the period		(30.900)	(52.230)
<i>Adjustments:</i>			
Adjustments for interest expense	22	49.550	42.883
Adjustments for depreciation and amortisation expenses	11,12,13	29.987	33.783
Adjustments for fair value (gains) or losses on derivative financial instruments	23	475	1.018
Adjustments for (reversal)/provision for employee benefits		(710)	3.726
Adjustments for impairment of receivables	7	209	54
Adjustments for (reversal)/provision for other provisions		(2.198)	(1.653)
Adjustments for the (gains)/losses on sales of property, plant and equipment	21	390	(306)
Adjustments for reversal of impairment of property, plant and equipment	12,13	(414)	(3.661)
Adjustments for (reversal)/impairment of inventory	8	3.215	(223)
Adjustments for interest income	21	(35)	(37)
Adjustments for tax income		(7.479)	(13.231)
		42.090	10.123
Changes in working capital:			
(Increase)/decrease in trade receivables from third parties		5.452	5.978
(Increase)/decrease in trade receivables from related parties	4	(176)	(1.226)
Increase in inventories		(13.754)	(101.265)
(Increase)/decrease in other assets related to operations		14.291	(18.443)
(Increase)/decrease in trade payables to third parties		(229.069)	162.660
(Increase)/decrease in trade payables to related parties		(3.851)	(2.294)
(Increase)/decrease in other liabilities related to operations		13.536	(9.610)
Payments related to provisions for employee benefits		(865)	(2.205)
Payments related to other provisions		(417)	(1.596)
Cash provided by/(used in) operations		(172.763)	42.122
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	12	(2.375)	(5.213)
Acquisition of intangible assets	13	(3.752)	(1.387)
Proceeds from sale of property, plant and equipment and intangible assets		4	3.693
Interest received		35	37
Cash provided by/(used in) investment activities		(6.088)	(2.870)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	22	(32.667)	(22.883)
Payments for operating leases		(34.582)	(34.715)
Proceeds from loans and borrowings		257.222	33.777
Cash provided by/(used in) financing activities		189.973	(23.821)
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		11.122	15.431
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	48.389	42.418

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 2.384 as at 31 March 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 196 stores with 103.027 square meters retail space as at 31 March 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 31 March 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 30 April 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 THREE MONTH PERIOD ENDED 31 MARCH 2020

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

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 has not made reclassifications on prior period financial statements.

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 2019.

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.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
(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

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

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.

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 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, with the announcement published by the IASB in April 2020, it stated that this change included the postponement of the effective date for one year to 1 January 2023. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 1.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 2020 (Continued)

Amendments are effective on 1 January 2020

The changes that become effective as of January 1, 2020 are as follows:

- The revised Conceptual Framework (Version 2018)
- Amendments to TFRS 3 - Definition of a Business (The application of the amendment in TFRS 3 did not have a significant impact 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 does 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 amendment is not expected to have a significant impact on the financial statements of the Company.)

2.5 Critical judgments and estimates

Critical judgments in applying the Company's accounting policies

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.

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 414 as at 31 March 2020 (31 March 2019: TL 3.661). (Note 12)

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

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

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)

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 18.237 as at 31 March 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 31 March 2020, the amount offset from the deferred revenue from the gift checks recognised in the financial statement is amounting to TL 7.343 (31 December 2019: TL 6.262).(Note 9)

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

- First Covid-19 cases on the pandemic affecting the whole world have seen in Turkey firstly in March 2020. In this context, the possible effects of Covid-19 on the company's activities and financial status are followed up in detail from all aspects and necessary actions are taken. Considering the public and employee health, the stores were temporarily closed as of 22 March 2020, however, the Company continues its activities with the sales made through Teknosa.com. Company activities on the online channel have increased their impact and importance on financial and operational terms compared to previous periods. During the period when the stores were closed within the scope of Covid-19 measures, deferred payments were made by making mutual negotiations with the owners and short-time working allowance was applied for the employees who met the conditions. It remains unpredictable how long and how the social and economic impacts of this pandemic in Turkey and the world will continue to.
- The Company recognised net loss amounting to TL 30.900 for the period ended 31 March 2020. Accumulated losses is amounting to TL 401.055 as at 31 March 2020. The Company's total negative equity amount is TL 282.278 together with the accumulated losses as at 31 March 2020.

The Company's intangible asset, Teknosa and the İklimsa Brand, were subject to valuation by Ernst&Young Kurumsal Finansman Danışmanlık A.Ş. on 24.03.2020 and it was concluded that its value was 458,5 million TL.

In addition to this, the Company made an announcement on Public Disclosure Platform on 30 April 2020 in accordance with the CMB’s principal decision numbered 11/352 as detailed below:

“The Company issued its financial statements as at 31 March 2020 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL(-) 282.277.772 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 (+) 225.187.676. This indicates that the Company maintains its share capital amounting to full TL 110.000.000 in equity status.”

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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-31 March 2020		
	Stores	Dealer Group	Total
Total segment income	999.642	48.759	1.048.401
Income from third party customers	999.642	48.759	1.048.401
Adjusted EBIT	59.645	1.638	61.283
	1 January-31 March 2019		
	Stores	Dealer Group	Total
Total segment income	798.138	42.544	840.682
Income from third party customers	798.138	42.544	840.682
Adjusted EBIT	47.288	(1.258)	46.030
		1 January – 31 March 2020	1 January – 31 March 2019
Reconciliation of Adjusted EBIT with profit before taxes:		61.283	46.030
Depreciation and amortisation expenses		(29.987)	(33.783)
Finance expenses		(49.550)	(42.883)
Income / (expense) from investing activities		(355)	343
Effect of changing TFRS 9, net		(210)	(54)
Other income / (expenses), net		(18.378)	(34.374)
Provision for employee termination benefits		(1.182)	(740)
Profit/(loss) before tax		(38.379)	(65.461)

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

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

NOTE 4 – RELATED PARTY DISCLOSURES

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

	31 March 2020	
	Receivables	Payables
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	424	4
Akbank T.A.Ş.	268	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	92	474
Akçansa Çimento San. ve Tic. A.Ş.	67	--
Hacı Ömer Sabancı Holding A.Ş.	2	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	--	1.136
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	--	10
	853	1.624

	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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	31 March 2020	31 December 2019
<u>Deposit accounts in Akbank T.A.Ş.</u>		
Time deposit	36.408	--
Demand deposit	5.355	12.213
	41.763	12.213

	31 March 2020	31 December 2019
<u>Credit card slip receivables in Akbank T.A.Ş.</u>		
Credit card slip receivables	1.790	3.069
	1.790	3.069

	1 January – 31 March 2020		
Transactions with related parties	Sale of goods	Rent expense	Other income / (expenses)
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1.424	(444)	(566)
Akbank T.A.Ş.	1.066	--	--
Kordsa Global End. İplik ve Kordbezi San. A.Ş.	149	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	78	--	(1.591)
Akçansa Çimento San. ve Tic. A.Ş.	82	--	--
Ak Finansal Kiralama A.Ş.	45	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	42	--	--
Enerjisa Üretim A.Ş.	17	--	--
Avivasa Emeklilik ve Hayat A.Ş.	8	--	--
Aksigorta A.Ş.	6	--	(504)
Çimsa Çimento San.ve Tic.A.Ş.	5	--	--
H.Ö. Sabancı Holding A.Ş.	2	--	--
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	--	--	(39)
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	--	--	(933)
	2.924	(444)	(3.633)

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties	1 January - 31 March 2019		
	Sale of goods	Rent expense	Other income / (expenses)
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1.743	(444)	(56)
Akbank T.A.Ş.	343	--	--
Kordsa Global End. İplik ve Kordbezi San. A.Ş.	74	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	58	--	(588)
Avivasa Emeklilik ve Hayat A.Ş.	41	--	--
Çimsa Çimento San.ve Tic.A.Ş.	28	--	--
Brisa Bridgestone Sabancı Lastik San.Ve Tic.A.Ş.	23	--	--
Akçansa Çimento San. ve Tic. A.Ş.	21	--	--
Yünsa Yünlü San. ve Tic A.Ş	15	--	--
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	2	--	--
Aksigorta A.Ş.	1	--	(34)
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	--	--	(34)
	2.349	(444)	(712)

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

	31 March 2020	31 December 2019
Short portion of long-term rent liabilities to related parties	1.035	980
Long-term rent liabilities to related parties	3.015	3.297
	4.050	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 31 March 2020 and 2019 are as follows:

	1 January – 31 March 2020	1 January – 31 March 2019
Salaries and other benefits	1.352	1.278
	1.352	1.278

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Time deposit	36.408	--
Demand deposit	5.976	15.351
Credit card slip receivables	5.894	19.240
Cash	111	2.676
	48.389	37.267

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

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 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020			
	Currency	Interest rate	Amount	Maturity
Bank borrowings	TL	%12	362.743	2020
Short-term loans and borrowings			362.743	

	31 December 2019			
	Currency	Interest rate	Amount	Maturity
Bank borrowings	TL	%12	105.521	2019
Short-term loans and borrowings			105.521	

The details of lease liabilities as at 31 March 2020 and 31 December 2019 are as follows:

Lease Liabilities	Present value of minimum lease payments	
	31 March 2020	31 December 2019
Within one year	88.015	102.848
Less: future finance charges	(4.470)	(18.128)
Present value of lease liabilities	83.545	84.720
Within two years and after	244.366	331.317
Less: future finance charges	(12.412)	(58.399)
Present value of lease liabilities	231.954	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.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 2020 and 31 December 2019 are as follows:

Short term trade receivables:

	31 March	31 December
	2020	2019
Trade receivables	39.140	46.684
Notes receivables	28.082	25.990
Due from related parties (Note 4)	853	677
Allowance for doubtful receivables (-)	(7.198)	(6.989)
	60.877	66.362

The movement of the allowance for doubtful receivables for the period ended 31 March 2020 and 2019 is as follows:

	2020	2019
As at 1 January	6.989	9.646
Charge for the period	246	54
Reversal	(37)	--
As at 31 March	7.198	9.700

The average maturity of the Company's trade receivables is 1-7 days for retail receivables and 60 days for dealer groups. (31 December 2019: For retail: 1-7 days, 80 days for dealer receivables). As of 31 March 2020, the Company does not apply overdue interest on trade receivables. (31 December 2019: None).

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

	31 March	31 December
	2020	2019
Letters of guarantees received	69.354	69.892
Mortgages	9.572	9.572
	78.926	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 78.926 (31 December 2019: TL 79.464). As at the reporting date, there are not any collaterals or mortgages which are sold or re-pledged by the Company.

The exchange rate risk for the Company's trade receivables and payables is disclosed in Note 24.

	31 March	31 December
	2020	2019
<u>Short term trade payables:</u>		
Trade payables	976.952	1.224.392
Expense accruals	21.144	2.773
Due to related parties (Note 4)	1.624	5.475
	999.720	1.232.640

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

As at 31 March 2020, the Company offset income accruals from its suppliers amounting to TL 69.786 with trade payables (31 December 2019: TL 68.090). Average payment terms of trade payables is 108 days (31 December 2019: 104 days). The Company does not have payments on a monthly basis for late interest as of 31 March 2020. (31 December 2019: 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 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Trading goods	867.595	826.929
Goods in transit	21.309	48.221
Allowance for impairment on inventories (-)	(18.237)	(15.022)
	870.667	860.128

The movements of allowance on inventories for the periods ended at 31 March 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	(3.215)	223
As at 31 March	(18.237)	(14.726)

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE

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

<i>Short-term prepaid expenses</i>	31 March 2020	31 December 2019
Short term prepaid expenses	5.746	5.489
Advances given for inventories	1.632	328
	7.378	5.817
<i>Long-term prepaid expenses</i>	31 March 2020	31 December 2019
Long term prepaid expenses	23	27
	23	27

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 2020 and 31 December 2019 are as follows:

<i>Short-term deferred revenue</i>	31 March 2020	31 December 2019
Advances received	21.747	8.372
Income from gift cards	7.343	6.262
Other	194	294
	29.284	14.928

NOTE 10 – INVESTMENT PROPERTY

As of 31 March 2020 net book value of investment properties of the Company amounting TL 29.222 (31 December 2019: TL 29.222).

The Company generates rental income by TL 463 (2019: TL 39) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 139 (2019: TL 66). 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 10 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. For the fair value of the land and buildings owned “Comparative Analysis Method”, “Cost Analysis Method” and “Direct Capitalization Analysis Method” were calculated by using the results obtained by harmonizing the final value was reached.

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

31 March 2020 and 31 December 2019 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 31 March 2020 and 2019 are as follows:

	Buildings	Vehicles	Total
Opening balance 1 January 2020	319.106	2.792	321.898
Disposal	(24.440)	--	(24.440)
Amortization	(21.251)	(462)	(21.713)
Closing balance 31 March 2020	273.415	2.330	275.745

For the period ended 31 March 2020, thereof TL 21.420 of depreciation charges included in marketing expenses (31 March 2019: 25.455) and TL 293 included in general administrative expenses (31 March 2019: 535).

	Buildings	Vehicles	Total
Opening balance 1 January 2019	391.022	3.376	394.398
Addition	4.595	--	4.595
Prepaid expenses	1.572	--	1.572
Transfer	9.346	--	9.346
Amortization	(25.548)	(442)	(25.990)
Closing balance 31 March 2019	380.987	2.934	383.921

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 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	--	--	--	--	826	677	872	2.375
Disposals	--	--	--	--	(41)	(1.169)	--	(1.210)
Allowance for impairment	--	--	--	--	(72)	82	--	10
Reversal of impairment	--	--	--	--	--	280	--	280
Transfers from construction in progress	--	--	--	--	221	--	(744)	(523)
Balance at 31 March 2020	15.384	5.435	369	57	82.183	105.610	1.674	210.712
Accumulated depreciation and impairment losses								
Balance at 1 January 2020	--	(3.956)	(369)	(57)	(64.195)	(81.466)	--	(150.043)
Charge for the period	--	(17)	--	--	(1.826)	(2.339)	--	(4.182)
Disposals	--	--	--	--	39	777	--	816
(Allowance for) / reversal of impairment, net (*)	--	--	--	--	205	(81)	--	124
Balance at 31 March 2020	--	(3.973)	(369)	(57)	(65.777)	(83.109)	--	(153.285)
Net carrying amount at 31 December 2019	15.384	1.479	--	--	17.054	24.274	1.546	59.737
Net carrying amount at 31 March 2020	15.384	1.462	--	--	16.406	22.501	1.674	57.427

(*) As of 31 March 2020, the impairment loss and impairment reversed during the period calculated for property, plant and equipment is net TL 414 (31 March 2019: TL 3.661). For the period ended 31 March 2020, thereof TL 1.914 of depreciation charges included in marketing expenses (31 March 2019: TL 2.349) and TL 2.268 included in general administrative expenses (31 March 2019: TL 2.180).

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 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	--	--	--	--	570	1.684	2.959	5.213
Disposals	--	--	--	--	(1.821)	(5.572)	--	(7.393)
Allowance for impairment	--	--	--	--	(44)	(2)	--	(46)
Reversal of impairment	--	--	--	--	996	6.294	--	7.290
Transfers from construction in progress	--	--	--	--	--	184	(963)	(779)
Balance at 31 March 2019	32.051	6.403	369	57	80.259	104.453	12.050	235.642
Accumulated depreciation and impairment losses								
Balance at 1 January 2019	--	(3.892)	(369)	(53)	(61.176)	(76.283)	--	(141.773)
Charge for the period	--	(14)	--	(2)	(2.160)	(2.353)	--	(4.529)
Disposals	--	--	--	--	1.700	2.306	--	4.006
(Allowance for) / reversal of impairment, net	--	--	--	--	(678)	(2.905)	--	(3.583)
Balance at 31 March 2019	--	(3.906)	(369)	(55)	(62.314)	(79.235)	--	(145.879)
Net carrying amount at 31 March 2019	32.051	2.497	--	2	17.945	25.218	12.050	89.763
Net carrying amount at 31 December 2018	32.051	2.511	--	4	19.382	25.582	10.054	89.584

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 2020	121.115	121.115
Additions	3.752	3.752
Transfers from construction in progress	523	523
Closing balance at 31 March 2020	125.390	125.390
Accumulated amortisation and impairment losses		
Opening balance at 1 January 2020	(85.302)	(85.302)
Charge for the year	(4.092)	(4.092)
Closing balance at 31 March 2020	(89.394)	(89.394)
Net book value as at 31 March 2020	35.996	35.996
Net book value as at 31 December 2019	35.813	35.813

Cost	Licenses and Rights	Total
Opening balance at 1 January 2019	104.124	104.124
Additions	1.387	1.387
Disposals	(7)	(7)
Transfers from construction in progress	779	779
Closing balance at 31 March 2019	106.283	106.283
Accumulated amortisation and impairment losses		
Opening balance at 1 January 2019	(77.125)	(77.125)
Charge for the year	(3.264)	(3.264)
Disposals	7	7
Closing balance at 31 March 2019	(80.382)	(80.382)
Net book value as at 31 March 2019	25.901	25.901
Net book value as at 31 December 2018	26.999	26.999

For the period ended 31 March 2020, thereof TL 2.185 of amortisation charges included in marketing expenses (31 March 2019: TL 1.851) and TL 1.907 included in general administrative expenses (31 March 2019: TL 1.413).

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Accrued salaries	10.803	9.769
Social security premiums payable	5.268	5.273
Income taxes payable	1.580	2.889
	17.651	17.931

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

	31 March 2020	31 December 2019
<i>Short-term provisions</i>		
Provision for unused vacation	4.441	3.581
Provision for sales personnel premiums	2.198	5.016
Provision for other premiums	996	1.572
	7.635	10.169

	31 March 2020	31 December 2019
<i>Long-term provisions</i>		
Provision for employee termination benefit	9.639	8.776
Provision for other premium	1.291	1.195
	10.930	9.971

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:

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4,55% real discount rate (31 December 2019: 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 12,91 % and 7,96%, respectively (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 December 1999 (118 personnel) and the provision has been calculated accordingly.

NOTE 15 – PROVISIONS

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

	31 March 2020	31 December 2019
Provisions for ongoing litigation (*)	6.046	7.040
Provision for cancellation of rent agreements (**)	739	1.023
Other	1.099	2.436
	7.884	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.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 2020 and 31 December 2019 are as follows:

CPMs given by the Company

	31 March 2020			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	405.718	8.134	5.004	316.613
- Collaterals	355.885	3.511	3.599	307.041
- Pledges	--	--	--	--
- Mortgages	9.572	--	--	9.572
- Letter of credit	40.261	4.623	1.405	--
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	405.718	8.134	5.004	316.613

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

As at 31 March 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.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 31 March 2020 and 31 December 2019 are as follows:

<i>Other current assets</i>	31 March 2020	31 December 2019
Deferred vat	5.935	23.989
Job advances	2.113	482
Personnel advances	198	132
Other current assets	769	289
	9.015	24.892

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

<i>Other current liabilities</i>	31 March 2020	31 December 2019
Other expense accruals (*)	2.026	2.237
Other liabilities and obligations	499	546
	2.525	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 three month periods ended 31 March 2020 and 2019 are as follows.

<i>Revenue (net)</i>	1 January - 31 March 2020	1 January - 31 March 2019
Retail sales	999.642	798.138
Distributor sales	48.759	42.544
	1.048.401	840.682
<i>Cost of revenue</i>	1 January - 31 March 2020	1 January - 31 March 2019
Cost of trading goods sold	(871.693)	(695.680)
Installation and warranty expenses	(2.998)	(3.264)
	(874.691)	(698.944)

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

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

NOTE 19 –MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for three month periods ended 31 March 2020 and 2019 are as follows:

<i>Marketing expenses</i>	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expenses	(49.139)	(40.829)
Depreciation and amortisation expenses	(25.519)	(29.655)
Rent expenses	(15.376)	(13.879)
Advertising and promotion expenses	(15.210)	(15.059)
Transportation expenses	(5.580)	(4.918)
Consultancy expenses	(5.429)	(1.712)
Energy, fuel and water expenses	(4.268)	(3.660)
Maintenance and cleaning expenses	(2.028)	(1.316)
Communication expenses	(320)	(347)
Travel and accommodation expenses	(283)	(226)
Other expenses	(4.385)	(3.462)
	(127.537)	(115.063)

The details of administrative expenses for three month periods ended 31 March 2020 and 2019 are as follows:

<i>Administrative expenses</i>	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expenses	(5.410)	(5.081)
Depreciation and amortisation expenses	(4.468)	(4.128)
IT expenses	(4.064)	(2.612)
Consultancy expenses	(1.103)	(2.488)
Maintenance and cleaning expenses	(189)	(151)
Travel and accommodation expenses	(110)	(81)
Rent expenses	(102)	(63)
Energy, fuel and water expenses	(26)	(62)
Other expenses	(587)	(502)
	(16.059)	(15.168)

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

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

NOTE 20 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for three month periods ended 31 March 2020 and 2019 are as follows:

<i>Other income from operating activities</i>	1 January - 31 March 2020	1 January - 31 March 2019
Foreign exchange gains	2.339	1.071
Interest income on credit sales	1.267	5.376
Asset impairment	414	--
Gift cards	384	104
Income from personnel	277	194
Reversal of provisions for cancellation of rent agreements (*)	285	1.000
Other income	1.693	1.217
	6.659	8.962

(*) 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 three month periods ended 31 March 2020, reversal of provisions for cancellation of rent agreement is amounting to TL 285 (2019: TL 1.000).

The details of other expense from operating activities for three month periods ended 31 March 2020 and 2019 are as follows:

<i>Other expense from operating activities</i>	1 January - 31 March 2020	1 January - 31 March 2019
Deferred interest expense from commercial transactions	(19.948)	(36.923)
Foreign exchange loss	(3.045)	(3.934)
Litigation expenses	(957)	(1.156)
Other expenses	(1.087)	(1.323)
	(25.037)	(43.336)

NOTE 21 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of income from investing activities for three month periods ended 31 March 2020 and 2019 are as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Interest income on time deposits	35	37
Gain from sale of fixed assets	4	571
	39	608

The details of expense from investing activities for three month periods ended 31 March 2020 and 2019 are as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Loss from sale of fixed assets	(394)	(265)
	(394)	(265)

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

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

NOTE 22 – FINANCE EXPENSES

The details of finance expense for three month periods ended 31 March 2020 and 2019 are as follows:

Finance Expenses	1 January - 31 March 2020	1 January - 31 March 2019
Credit card discount expenses	(21.407)	(7.952)
Interest expense due lease liabilities	(16.883)	(20.000)
Interest and commission expenses	(9.696)	(4.673)
Credit card commission expenses	(1.066)	(9.902)
Guarantee letters commission expenses	(428)	(266)
Other finance expenses	(70)	(90)
	(49.550)	(42.883)

NOTE 23 – DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2020	
	Assets	Liabilities
Foreign currency forward contracts	475	-
Short-term	475	-
	475	-

As at 31 December 2019, there is no signed foreign currency forward contracts.

As at 31 March 2020, the Company signed foreign currency forward contracts with the maturities in one month in order to hedge the foreign exchange exposures arising from the purchases denominated in foreign currency of the dealers. As at 31 March 2020 the total nominal amount of foreign exchange forward contracts that the Company is obliged to realize and which are not due is TL 7.252. As at 31 March 2020, fair value of the Company's foreign currency forward contracts is estimated to be approximately TL 475 as an 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 475 has been accounted for under equity.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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

	31 March 2020			
	TL equivalent	USD	EUR	Other
1. Trade receivable	1.816	221	52	--
2a. Monetary financial assets (including cash on hand and bank accounts)	2.315	115	217	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	2.118	324	1	--
4. Current assets (1+2+3)	6.249	660	270	--
5. Trade receivables	365	56	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	202	--	28	--
8. Non-current assets (5+6+7)	567	56	28	--
9. Total assets (4+8)	6.816	716	298	--
10. Trade payables	(27.792)	(2.486)	(1.605)	(215)
11. Financial liabilities	(216)	--	(30)	--
12a. Other monetary liabilities	--	--	--	--
12b. Non-monetary other liabilities	(2.393)	(365)	(2)	--
13. Current liabilities (10+11+12)	(30.401)	(2.851)	(1.637)	(215)
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)	(30.401)	(2.851)	(1.637)	(215)
19. Net position of financial statement (9+18)	(23.585)	(2.135)	(1.339)	(215)
Off-balance sheet derivative assets	7.656	1.175	--	--
Off-balance sheet derivative liabilities	--	--	--	--
20. Net position of foreign currency derivatives	7.656	1.175	--	--
21. Net position of foreign currency asset / (liability) (19+20)	(15.929)	(960)	(1.339)	(215)
22. Net position of monetary foreign currency asset / (liability) (IFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	(23.512)	(2.094)	(1.366)	(215)
23. Total fair value of foreign currency hedge	475	73	--	--
24. The amount for the hedged portion foreign currency assets	--	--	--	--
25. The amount for the hedged portion of foreign currency liabilities	--	--	--	--

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 (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) (IFRS 7.b23)	(9.392)	(1.449)	(118)	--
(=1+2a+5+6a+10+11+12a+14+15+16a)				

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 (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	31 March 2020		31 March 2020	
	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	(626)	626	--	--
2- Amount hedged for USD risk (-)	--	--	766	(766)
3- USD net effect (1 +2)	(626)	626	766	(766)
In case 10% appreciation of EUR against TL				
4 - EUR net assets/liabilities	(966)	966	--	--
5 - Amount hedged for EUR risk (-)	--	--	--	--
6- EUR net effect (4+5)	(966)	966	--	--
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)	(1.593)	1.593	766	(766)

Foreign Currency Sensitivity Table

Foreign Currency Sensitivity Table	31 December 2019	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	(826)	826
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	(826)	826
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(78)	78
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	(78)	78
In case 10% appreciation of other currency against TL		
7- Net assets/liabilities in other foreign currency	1	(1)
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	1	(1)
TOTAL (3+6+9)	(905)	905

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

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

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
31 March 2020					
Financial assets					
Cash and cash equivalents	48.389	--	--	48.389	5
Trade receivables (including due from related parties)	60.877	--	--	60.877	7
Other receivables	525	--	--	525	
Derivative financial instruments	--	475	--	475	23
Financial liabilities					
Bank borrowings	--	--	362.743	362.743	6
Lease liabilities (including due to related parties)	--	--	315.499	315.499	6
Trade payables (including due to related parties)	--	--	999.720	999.720	7
Other payables	--	--	2.542	2.542	
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
Lease liabilities (including due to related parties)	--	--	357.637	357.637	6
Trade payables (including due to related parties)	--	--	1.232.640	1.232.640	7
Other payables	--	--	2.349	2.349	

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.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
(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: 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 31 March 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
31 March 2020			
Derivative instruments	--	475	--
	--	475	--

NOTE 26 – EVENTS AFTER THE REPORTING PERIOD

- The Company made an announcement on Public Disclosure Platform on 30 April 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 31 March 2020 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL(-) 282.277.772 and the brand value in valuation report dated 24.03.2020 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 (+) 225.187.676. This indicates that the Company maintains its share capital amounting to full TL 110.000.000 in equity status."

- The Covid-19 pandemic and precautions taken in the world and in our country cause disruptions in operations in all countries exposed to the pandemic and affect the economic conditions negatively both globally and in our country. Due to the Covid-19 outbreak, the company temporarily closed its stores on 22 March 2020 in terms of customer and employee health. It continues its sales in e-commerce sales channel and serves its customers. Since the economic effects of this outbreak are uncertain as of the reporting date, the effects on the Company's operations and financial statements cannot be reasonably estimated.