# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 WITH INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

17 February 2023

*This report includes 5 pages of independent auditor's report and 72 pages of financial statements and notes to the financial statements.*

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KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

# CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of Teknosa İç ve Dış Ticaret Anonim Şirketi

## A) Audit of the Financial Statements

*Opinion*

We have audited the financial statements of Teknosa İç ve Dış Ticaret Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

*Basis for Opinion*

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

*Key Audit Matters*

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

*Revenue recognition and accounting of revenues from suppliers*

Refer to Note 2.4 to the financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition and accounting of revenues from suppliers.

| **The key audit matter** | **How the matter was addressed in our audit** |
|---|---|
| The Company's main revenue items include sales of technology products through stores and its website, sales of air conditioners and refrigerators through its dealer network, and turnover premiums and similar revenues from its suppliers.<br><br>There exist inherent control risk related to the accuracy of retail sales revenue recognized in the financial due to the processing of large volumes of data in invoice process.<br><br>The Company's income generated from its suppliers are based on the terms agreed with suppliers and these terms consist of commitments to purchase amounts, promotions and marketing activities, and various types of discounts. These commitments can vary depending on the turnover and for the sum of purchases made during that period or for certain products within those purchases as of periods. Turnover premiums are recognized in proportion to the realization of the transactions agreed with the Company's suppliers.<br><br>Therefore, the Company's retail sales revenues and revenues from its suppliers has been an one of the focus area in our audit. | We have performed the following audit procedures to be responsive to retail sales (store and e-commerce) revenue:<br><br>- Assessing the compliance of the Company's accounting policy with respect to accounting for revenue in accordance with TFRS 15 and the adequacy of disclosures related to the Company's revenue;<br><br>- Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the below controls;<br><br>- Key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls;<br><br>- Reconciliation of retail sales revenues recognized throughout the year with cash and credit card collections verified from relevant bank documents;<br><br>- Substantive testing on a sampling basis for non-systematic adjustments which are outside of the routine billing process and therefore carry higher levels of management judgment; |

| | |
|---|---|
| | - Evaluation of high-risk journal entries that the Company has accounted for during the year.<br><br>*We have performed the following audit procedures to be responsive to dealer sales:*<br><br>- Testing, on a sample basis, dealer sales through the purchase order, invoice and good receipt note;<br><br>- Testing, on a sample basis, sales returns accepted through to the 2022 year end in order to assess whether the sales returns are properly accounted in the correct financial period;<br><br>- Testing, on a sample basis, sales returns accepted subsequent to the year end in order to assess whether the sales returns are properly accounted in the correct financial period;<br><br>*We have performed the following audit procedures to be responsive to revenue from suppliers:*<br><br>- Examining the fulfillment of contract conditions, turnover premium rates and relevant conditions for significant turnover premiums income to ensure that turnover premiums income received from suppliers are accounted in compliance with the correspondences with the suppliers and also controlling those turnover premiums income has been accounted in the correct amount and in the correct period and testing internal IT controls over the completeness and accuracy of pricing and billing process and the end-to-end reconciliation controls from pricing and billing process to the accounting system;<br><br>-Controlling the subsequent period realizations (invoices) of turnover premiums income recognized as accruals;<br><br>- Verification of current accounts related to the suppliers, which a significant portion of turnover premiums income are generated, through external confirmations. |

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

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

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

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

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

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

**B) Other Legal and Regulatory Requirements**

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 17 February 2023.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2022 and 31 December 2022, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

*Additional paragraph for convenience translation to English:*

The accounting policies summarized in Note 2, differ from International Financial Reporting Standards ("IFRS") due to non-application of IAS 29 Financial Reporting in Hyperinflationary Economies. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS standards.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Erman Durmaz, SMMM
Partner
17 February 2023
İstanbul, Turkey

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

| | | Current period | Prior period |
|---|---|---|---|
| | | *Audited* | *Audited* |
| **ASSETS** | **Notes** | **31 December 2022** | **31 December 2021** |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 1.604.179 | 709.408 |
| Trade receivables | 7 | 441.042 | 155.925 |
| *-Trade receivables from related parties* | *4,7* | *26.528* | *18.609* |
| *-Trade receivables from third parties* | *7* | *414.514* | *137.316* |
| Inventories | 9 | 3.265.498 | 1.719.160 |
| Prepaid expenses | 10 | 80.796 | 9.150 |
| Derivatives | 25 | -- | 575 |
| Other current assets | 18 | 47.047 | 29.316 |
| **Total current assets** | | **5.438.562** | **2.623.534** |
| **Non-current assets** | | | |
| Other receivables | 8 | 816 | 612 |
| Investment property | 12 | 91.510 | 35.160 |
| Right of use assets | 11 | 374.312 | 166.367 |
| Property, plant and equipment | 13 | 221.282 | 84.171 |
| Intangible assets | 14 | 78.093 | 50.213 |
| Prepaid expenses | 10 | 17.445 | 3.753 |
| Deferred tax assets | 26 | 75.528 | 37.286 |
| **Total non-current assets** | | **858.986** | **377.562** |
| **TOTAL ASSETS** | | **6.297.548** | **3.001.096** |

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

| | | Current period | Prior period |
|---|---|---|---|
| | | *Audited* | *Audited* |
| **LIABILITIES** | **Notes** | **31 December 2022** | **31 December 2021** |
| **Current liabilities** | | | |
| Short-term loans and borrowings | 6 | 202.260 | -- |
| *-Short-term bank loans from third parties* | *4* | *108.327* | -- |
| *-Short-term bank loans from related parties* | | *93.933* | -- |
| Short portion of long-term lease liabilities | 6 | 154.134 | 96.062 |
| *-Short portion of long-term lease liabilities to related parties* | *4* | *1.075* | *1.952* |
| *-Short portion of long-term lease liabilities to third parties* | | *153.059* | *94.110* |
| Trade payables | 7 | 4.560.737 | 2.428.265 |
| *-Trade payables to related parties* | *4* | *20.872* | *12.845* |
| *-Trade payables to third parties* | *7* | *4.539.865* | *2.415.420* |
| Payables related to employee benefits | 15 | 62.552 | 29.928 |
| Other payables | 8 | 7.511 | 5.153 |
| *-Other payables to third parties* | | *7.511* | *5.153* |
| Deferred revenue | 10 | 78.002 | 32.074 |
| Period profit tax liability | 26 | 32.867 | -- |
| Short-term provisions | | 99.131 | 33.357 |
| *-Short-term provisions for employee benefits* | *15* | *75.440* | *19.102* |
| *-Other short-term provisions* | *16* | *23.691* | *14.255* |
| Derivatives | 25 | 2.613 | -- |
| Other current liabilities | 18 | 4.255 | 2.117 |
| **Total current liabilities** | | **5.204.062** | **2.626.956** |
| **Non-current liabilities** | | | |
| Long-term lease liabilities | 6 | 263.565 | 113.071 |
| *-Long-term lease liabilities to related parties* | *4* | -- | *746* |
| *-Long-term lease liabilities to third parties* | | *263.565* | *112.325* |
| Long-term provisions for employee benefits | 15 | 68.702 | 18.087 |
| **Total non-current liabilities** | | **332.267** | **131.158** |
| **Total liabilities** | | **5.536.329** | **2.758.114** |
| **EQUITY** | | | |
| Share capital | 19 | 201.000 | 201.000 |
| Adjustments to share capital | 19 | 6.628 | 6.628 |
| Restricted reserves | 19 | 8.704 | 8.704 |
| Other reserves | | 3 | 3 |
| Share premiums | 19 | 184.655 | 184.655 |
| Other comprehensive income or expense items that will not be reclassified to profit or loss | | 21.715 | 25.855 |
| *-Losses on remeasurement of defined benefit plans* | *19* | *(42.364)* | *(8.510)* |
| *-Gains on revaluation of property, plant and equipment* | *19* | *64.079* | *34.365* |
| Other comprehensive income that are or may be reclassified to profit or loss | | (2.119) | 431 |
| *-Cash flow hedge reserve* | 19 | *(2.119)* | *431* |
| Accumulated losses | | (184.294) | (315.758) |
| Net profit for the period | | 524.927 | 131.464 |
| **Total Equity** | | **761.219** | **242.982** |
| **TOTAL LIABILITIES AND EQUITY** | | **6.297.548** | **3.001.096** |

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

# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

| | Notes | Current period<br>*Audited*<br>1 January -<br>31 December<br>2022 | Prior period<br>*Audited*<br>1 January -<br>31 December<br>2021 |
|---|---|---|---|
| Revenue | 20 | 17.440.964 | 7.520.079 |
| Cost of revenue (-) | 20 | (14.536.722) | (6.253.253) |
| **GROSS PROFIT** | | **2.904.242** | **1.266.826** |
| Marketing expenses (-) | 21 | (1.470.415) | (642.973) |
| General administrative expenses (-) | 21 | (203.107) | (85.113) |
| Other income from operating activities | 22 | 160.561 | 85.494 |
| Other expenses from operating activities (-) | 22 | (436.198) | (256.546) |
| **OPERATING PROFIT** | | **955.083** | **367.688** |
| Income from investing activities | 23 | 111.346 | 20.070 |
| Expenses from investing activities (-) | 23 | (1.226) | (632) |
| Impairment profit / (loss) and reversals of impairment losses in accordance with TFRS 9 | | (84) | 10 |
| **OPERATING PROFIT BEFORE FINANCE COSTS** | | **1.065.119** | **387.136** |
| Finance income | 24 | 68.608 | 18.126 |
| Finance costs (-) | 24 | (532.440) | (265.856) |
| **OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX** | | **601.287** | **139.406** |
| **Tax expense** | | **(76.360)** | **(7.942)** |
| - Current tax expense | 26 | (104.579) | -- |
| - Deferred tax income/(expense) | 26 | 28.219 | (7.942) |
| **PROFIT FOR THE PERIOD** | | **524.927** | **131.464** |
| **Attributable to:** | | | |
| Owners of the Company | | **524.927** | **131.464** |
| Non-controlling interests | | -- | -- |
| **OTHER COMPREHENSIVE INCOME / (EXPENSE)** | | | |
| **Items that are or will not be reclassified to profit or loss** | | **(4.140)** | **978** |
| *Losses on remeasurement of defined benefit plans* | *15* | (42.317) | (2.834) |
| *Income tax related to items that are or will not be reclassified to profit or loss* | *13* | 28.792 | 3.605 |
| *Losses on remeasurement of defined benefit plans* | | 9.385 | 207 |
| **Items that are or may be reclassified to profit or loss** | | **(2.550)** | **431** |
| *Gains/(losses) on cash flow hedges* | | (3.188) | 575 |
| *Tax income/(expense) related to items that are or may be reclassified to profit or loss* | | 638 | (144) |
| **TOTAL OTHER COMPREHENSIVE INCOME / (EXPENSE)** | | **(6.690)** | **1.409** |
| **TOTAL COMPREHENSIVE INCOME** | | **518.237** | **132.873** |
| **Earnings/(Loss) per share [(For 1 lot share)]** | 27 | 0,0261 | 0,0083 |
| **Diluted earnings/(loss) per share [(For 1 lot share)]** | 27 | 0,0261 | 0,0083 |

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

# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2022

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

| | | | | | | Other comprehensive income that will not be reclassified to profit or loss | | Other comprehensive income that are or may be reclassified to profit or loss | Retained earnings/ (Accumulated losses) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in share capital | Adjustments to share capital | Restricted reserves | Other reserves | Share premiums | Losses on remeasurement of defined benefit plans | Gains on revaluation of property, plant and equipment | Gains/(losses) on hedging reserves | Prior years' losses | Net profit for the period | Total Equity |
| **Prior period** | | | | | | | | | | | |
| **Balance at 1 January 2021** | **110.000** | **6.628** | **8.704** | **3** | **--** | **(6.244)** | **31.121** | **--** | **(401.054)** | **85.296** | **(165.546)** |
| Capital increase | 91.000 | -- | -- | -- | 184.655 | -- | -- | -- | -- | -- | 275.655 |
| Transfers | -- | -- | -- | -- | -- | -- | -- | -- | 85.296 | (85.296) | -- |
| Total comprehensive income/(expense) | -- | -- | -- | -- | -- | (2.266) | 3.244 | 431 | -- | 131.464 | 132.873 |
| **Balance at 31 December 2021** | **201.000** | **6.628** | **8.704** | **3** | **184.655** | **(8.510)** | **34.365** | **431** | **(315.758)** | **131.464** | **242.982** |
| **Current period** | | | | | | | | | | | |
| **Balance at 1 January 2022** | **201.000** | **6.628** | **8.704** | **3** | **184.655** | **(8.510)** | **34.365** | **431** | **(315.758)** | **131.464** | **242.982** |
| Transfers | -- | -- | -- | -- | -- | -- | -- | -- | 131.464 | (131.464) | -- |
| Total comprehensive income/(expense) | -- | -- | -- | -- | -- | (33.854) | 29.714 | (2.550) | -- | 524.927 | 518.237 |
| **Balance at 31 December 2022** | **201.000** | **6.628** | **8.704** | **3** | **184.655** | **(42.364)** | **64.079** | **(2.119)** | **(184.294)** | **524.927** | **761.219** |

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

# TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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

| | Notes | *Current period* Audited 1 January – 31 December 2022 | *Prior period* Audited 1 January – 31 December 2021 |
|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit for the period** | | 524.927 | 131.464 |
| **Adjustments:** | | | |
| Adjustments for depreciation and amortisation expenses | 21 | 198.423 | 141.865 |
| Adjustments for (reversal of)/impairment of receivables | 7 | 84 | (10) |
| Adjustments for (reversal of)/for other provisions | | 12.411 | 2.469 |
| Adjustments for (reversal of)/impairment of property, plant and equipment and intangible assets | 13 | (362) | (341) |
| Adjustments for (reversal of)/impairment of inventory | 9 | 9.062 | (1.701) |
| Adjustments for (reversal of)/provision for employee benefits | | 77.172 | 10.297 |
| Adjustments for interest income | 23 | (54.326) | (14.021) |
| Adjustments for finance costs | 24 | 463.832 | 247.730 |
| Adjustments for tax expense/(income) | 26 | 76.360 | 7.942 |
| Adjustment for the (gains)/losses on sale of fixed assets | 23 | 556 | 133 |
| | | **1.308.139** | **525.827** |
| **Changes in working capital:** | | | |
| Increase in trade receivables from third parties | | (277.282) | (48.892) |
| Increase in trade receivables from related parties | 4 | (7.919) | (3.726) |
| Increase in inventories | 9 | (1.555.400) | (660.931) |
| Increase in other assets related to operations | | (160.931) | (78.306) |
| Increase in trade payables to third parties | 7 | 2.124.445 | 1.035.634 |
| Increase in trade payables to related parties | 4,7 | 8.027 | 6.267 |
| Increase in other liabilities related to operations | | 83.048 | 43.814 |
| Payments related to provisions for employee benefits | 15 | (12.537) | (9.125) |
| Tax paid | 26 | (71.712) | -- |
| Payments related to other provisions | | (2.961) | (3.719) |
| **Cash provided by operating activities** | | **1.434.917** | **806.843** |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of property, plant and equipment | 13 | (186.428) | (55.276) |
| Acquisition of intangible assets | 14 | (6.073) | (15.336) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 707 | 565 |
| Interest received | 23 | 54.326 | 14.021 |
| **Cash used in investing activities** | | **(137.468)** | **(56.026)** |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Other financing cost paid | | (423.840) | (177.524) |
| Payments for lease liabilities | 6 | (206.657) | (138.913) |
| Proceeds from bank borrowings | 6 | 296.000 | 127.500 |
| Repayments of bank borrowings | 6 | (128.576) | (534.136) |
| Cash inflows from capital increase | 19 | -- | 91.000 |
| Cash inflows from share premium and other capital increase | 19 | -- | 184.655 |
| **Cash used in from financing activities** | | **(463.073)** | **(447.418)** |
| **NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)** | | **834.376** | **303.399** |
| The effect of changes in foreign exchange rates on cash and cash equivalents in foreign currency | | 60.395 | 13.808 |
| **D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | **5** | **709.408** | **392.201** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)** | **5** | **1.604.179** | **709.408** |

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

## NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Teknosa İç ve Dış Ticaret Anonim Şirketi, ("Teknosa" or "the Company") was established on 3 March 2000, and is engaged in retail sales of consumer electronics through its stores and website www.teknosa.com and air conditioners and white goods through its dealers. In addition, the website www.teknosa.com became "Marketplace" as of 4 February 2022 and started selling its own products to its customers as well as the products of its authorized dealers on its website.

The Company's main shareholder is Hacı Ömer Sabancı Holding A.Ş. As at 31 December 2022, number of personnel of the Company is 2.458 (31 December 2021: 2.303). The Company is registered in Turkey and operates under the laws and regulations of Turkish Commercial Code.

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

The Company operates in Turkey in 189 stores with 100.432 square meters retail space as at 31 December 2022 (31 December 2021: 101.574 square meters, 198 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 with Turkish Financial Reporting Standards ("TFRS")***

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

The financial statements are presented in accordance with the formats determined in the "Announcement on the TRFS Taxonomy" published by the POA on 15 April 2019 and Financial Statement Examples and User Guide published by the CMB.

*Approval of financial statements:*

The financial statements are approved by the Company's Board of Directors on 17 February 2023. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these financial statements.

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

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

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

These financial statements are presented in Turkish Lira ("TL"), which is the valid currency of the Company. Unless otherwise stated, all financial information presented in TL has been rounded to the nearest thousand TL.

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

### 2.1 Basis of presentation (Continued)

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

In accordance with the announcement made by the POA on 20 January 2022, it has been stated that companies applying TFRS do not need to make any adjustments in their financial statements for 31 December 2021 within the scope of TAS 29 Financial Reporting Standard in Hyperinflationary Economies ("TAS 29"). Since no new announcement has been made by POA regarding the application of inflation accounting, no inflation adjustment has made in accordance with TAS 29 while preparing the financial statements as of 31 December 2022.

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

The financial statements of the Company have been prepared comparatively with the prior year in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences. The Company has not made reclassifications on prior period financial statements.

### 2.2 Changes in significant accounting policies

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

While preparing the financial statements of 31 December 2022, there is no change in the Company's accounting policies.

### 2.3 Changes in estimates and error

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

The Company has no significant changes in the accounting estimates as at and for year ended 31 December 2022 compared to those used in previous year.

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

### 2.4 Summary of Significant Accounting Policies

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

**Inventories and cost of goods sold**

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

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

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

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

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

**Investment property**

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

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

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

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

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

**Property, plant and equipment and depreciation**

***Recognition and measurement***

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

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

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

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

***Subsequent expenditure***

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

***Depreciation***

Property, plant and equipment measured by revaluation model are depreciated as of the day they are currently available. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Property, plant and equipment except for land are depreciated on a straight-line basis.

The useful lives for property, plant and equipment are as follows:

- Buildings 50 years
- Vehicles 5 years
- Machinery and equipments 4-15 years
- Furniture and fixtures 5-10 years
- Leasehold improvements 5-10 years

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

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

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

**Intangible assets**

***Recognition and measurement***

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

***Subsequent expenditure***

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

***Amortisation***

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

The estimated useful lives are as follows:

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

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

**Financial Instruments**

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

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

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

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

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

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

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

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

**Financial Instruments (Continued)**

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

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

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

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

*Financial assets- Assessment of the business model*

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

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

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

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

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

### Financial Instruments (Continued)

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

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

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

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

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

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

*Financial assets – Subsequent measurement and gains and losses*

| | |
|---|---|
| **Financial Assets at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. For derivatives defined as hedging instruments, see "Derivative financial instruments and hedge accounting" below. |
| **Financial Assets at Amortisized Cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |

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

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

**Financial Instruments (Continued)**

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

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

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

**Derecognition**

*Financial assets*

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

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

*Financial liabilities*

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

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

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

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

***Derivative financial instruments and hedge accounting***

The Company holds derivative financial instruments to hedge its foreign currency risk. Derivatives are initially measured at fair value. The Company defines derivative instruments as hedging instruments to protect the variability in cash flows related to highly probable forecast transactions arising from changes in exchange rates.

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

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

**Financial Instruments (Continued)**

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

***Derivative financial instruments and hedge accounting (Continued)***

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised directly in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

**Impairment of assets**

*Non-derivative financial assets*

*Financial instruments and contract assets*

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

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets

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

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

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

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

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

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

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

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

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

**Impairment of assets (Continued)**

*Non-derivative financial assets (continued)*

*Financial instruments and contract assets (continued)*

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

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

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

*Measurement of ECLs*

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

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

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

*Credit-impaired financial assets*

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

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

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

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

**Impairment of assets (Continued)**

*Non-derivative financial assets (continued)*

*Financial instruments and contract assets (continued)*

*Presentation of impairment*

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

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

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

*Write-off*

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

*Non-financial assets*

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

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

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

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

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

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

### Impairment of assets (Continued)

*Non-financial assets (continued)*

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

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

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

### Leases

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

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

***As a lessee***

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

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

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

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

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

**Leases (Continued)**

***As a lessee (Continued)***

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

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

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

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

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

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

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

*Short-term leases and low-value leases*

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

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

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

**Leases (Continued)**

***As a lessor***

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

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

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

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

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

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

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

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

**Provisions, contingent assets and liabilities**

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

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

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

**Taxes on corporate income**

Tax expense comprises current and deferred tax.

*Current tax*

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

Tax rates that are in effect or about to enter into force as of the end of the reporting period are taken into account. The current tax liability also includes tax liabilities arising from dividend distribution notifications.

The deduction of current tax assets and liabilities can only be made when certain conditions are met.

*Deferred tax*

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

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

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

### Tax (Continued)

*Deferred tax (continued)*

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

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

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

*Current and deferred tax for the period*

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

### Employee benefits

*Retirement pay provision*

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

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

### Earnings / (losses) per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 27). In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

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

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

**Foreign currency transactions**

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

**Finance income and finance costs**

Finance income consists of exchange rate gains from foreign currency deposits, which is part of the cycle used for financing purposes.

Finance costs include interest expenses on bank loans, credit cards and guarantee letter commission fees, exchange rate loss on financial assets and liabilities (except trade receivables and payables). Borrowing costs that cannot be directly associated with the acquisition, construction or production of an asset are recognized for in profit or loss using the effective interest rate.

Interest income is recognised for using the effective interest method. Interest income is calculated using the effective interest method. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except below:

Foreign exchange income and expenses on financial assets and liabilities (other than trade receivables and payables) are reported net in finance income or finance expenses according to the net position of the foreign exchange movements.

**Other income and expenses from operating activities**

Other operating income consists of interest income, concessions on lease payments, income from from personnel, reversal of provisions for cancellation of rent agreements and foreign exchange income from monetary financial assets and liabilities other than debt instruments, and income from other activities.

Other operating expenses consist of maturity difference expenses, litigation expenses, foreign exchange expenses arising from monetary financial assets and liabilities other than debt instruments, and expenses related to other activities.

**Income and expenses from investment activities**

Income from investment activities consists of interest income from deposits, profit from sales of fixed assets and fair value increase of investment properties.

Expenses from investment activities consist of losses from sales of fixed assets.

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

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

**Revenue recognition**

**General model for accounting of revenue**

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

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

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability).

Contracts entered into at or near the same time with the same customer (or a related party of the customer) are combined and treated as a single contract when certain criteria are met.

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

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

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

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

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

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

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

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

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

**Revenue recognition (Continued)**

**General model for accounting of revenue (Continued)**

*Significant financing component*

To estimate the transaction price in a contract, the Company adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer. The Company does not have sales transactions which includes significant financing component. The Company considers that the period between the fulfillment of the obligation and the payment never exceed 12 months, in cases where the obligations fulfilled during the period and the advances received and the payment schedule are broadly compatible.

*Variable consideration*

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

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

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date for each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

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

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

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

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

**Revenue recognition (Continued)**

**General model for accounting of revenue (Continued)**

*Contract modifications*

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

**i) Retail sales revenues**

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

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

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

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

**Revenue recognition (Continued)**

**ii) Turnover premiums and supplier discounts**

The Company turnover premiums income from supplier contracts and supplier discounts are accounted for an accrual basis in the period of the Company benefits from premiums and deductions with the cost of goods sold.

**iii) Customer gift checks**

Gift vouchers sold by the Company to its customers are classified under other current liabilities section as deferred revenue. Moreover, gift vouchers are recorded as income as they are used by the customers.

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

**Warranty expenses and provisions**

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

**Segment reporting**

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

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

This measurement of the operating segments does not consider the effects of nonrecurring income and expenses. Interest income and expenses are not allocated to operating segments since they are monitored by the central treasury department of the Company. Adjusted EBITDA is not a measure of operating income, operating performance or liquidity under CMB Financial Reporting Standards. The Company presented Adjusted EBITDA in the notes to the financial statements besides the requirements of segment reporting since it is used by certain readers in their analyses (Note 3).

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

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

**Share capital**

**Ordinary Shares**

Transaction costs arising from equity transactions are deducted from the relevant equity item. Income taxes on distributions to owners of equity instruments and transaction costs from equity transactions are accounted for in accordance with TAS 12.

**Related parties**

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Company that gives it significant influence over the Company; or

(iii) has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

**Events after the reporting period**

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

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

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

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

### 2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2022

***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 IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

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.

After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. Related amendment was published by POA as "TFRS 2023" on 3 January 2023.

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 1.

**Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes**

In May 2021 IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

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

### 2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2022 (Continued)

**Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes (Continued)**

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Company does not expect that application of these amendments to Amendments to TAS 12 will have significant impact on its financial statements.

**Definition of Accounting Estimates (Amendments to TAS 8)**

The amendments introduce a new definition for accounting estimates: Clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

• Selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and

• Choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

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

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

### 2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2022 (Continued)

**Disclosure of Accounting Policies (Amendments to TAS 1)**

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

• Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

• Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

• Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

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

**Lease Liability in a Sale and Leaseback – Amendments to TFRS 16 Leases**

In September 2022, IASB issued Lease Liability in a Sale and Leaseback, which amends IFRS 16 Leases. Related amendment was published by POA as "TFRS 2023" on 3 January 2023. Amendments to TFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

• On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

• After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of TFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of TFRS 16 in 2019, and potentially restate those that included variable lease payments.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to Amendments to TFRS 16 Leases.

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

### 2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2022 (Continued)

***Annual Improvements to TFRS Standards 2018–2020***

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022:

1. Annual Improvements to TFRS Standards 2018–2020 -Amendment to TFRS 1 First-time Adoption of International Financial Reporting Standards, TFRS 9 Financial Instruments, TAS 41 Agriculture
2. Reference to the Conceptual Framework – Amendments to TFRS 3 Business Combinations
3. Property, Plant and Equipment – Proceeds before Intended Use: Amendments to TAS 16 Property, Plant and Equipment
4. Onerous Contracts – Cost of Fulfilling a Contract: Amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets

These newly adopted amendments to standards have not been a significant impact on the financial statements of the Company.

### 2.6 Critical judgments and estimates

While preparing the financial statements, the management made judgments, estimates and assumptions affecting the application of the accounting policies of the Company and the amounts of the reported assets, liabilities, income and expenses. Actual amounts may vary from estimated amounts.

Estimates and related assumptions are constantly reviewed. Changes made to estimates are recognized prospectively.

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

*Useful lives of property and equipment and intangible assets*

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

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

### 2.6 Critical judgments and estimates (Continued)

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

The Company assesses at each reporting date to determine whether there is any indication of impairment. If the stores which are operating more than 1 year generates operating profit/ (loss) before income tax lower than the planned performance result, this situation is assessed as an objective evidence for impairment. If any such indication exists, then the asset's recoverable amount is compared with the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If the carrying amount of an asset or any cash generating unit that the asset belongs to is higher than its net realizable value, the value of the asset has impaired. Additionally, the Company recognises allowance for impairment for the tangible assets of the stores for which the Company management has expected to close down. The mentioned provision amount is applied at the rate of 100% over the net book value of right-of-use assets, 100% for leasehold improvements and 50% over the net book value of tangible fixed assets. The Company recognised net allowance on property, plant and equipment amounting to TL 362 as at 31 December 2022 (31 December 2021: TL 341) (Note 13).

*Allowance on inventories*

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

The Company makes aging analysis for its inventories based on certain date ranges from the acquisition date. Impairment is calculated for the old stock over 180 days with different rates applied for each date range based on the aging analysis as at reporting date. The Company recognised allowance on inventories amounting to TL 23.063 as at 31 December 2022 (31 December 2021: TL 14.001) (Note 9).

*Deferred tax assets*

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

*Accounting of gift checks*

The Company recognises income from the gift checks by estimating the portion which will not be used by the customers based on the historic data. As at 31 December 2022, the amount offset from the deferred revenue from the gift checks recognised in the financial statement is amounting to TL 25.952 (31 December 2021: TL 15.460) (Note 10).

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

## NOTE 3 – SEGMENT REPORTING

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

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

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

| | 1 January – 31 December 2022 | | |
|---|---|---|---|
| | **Stores and e-commerce** | **Dealer Group** | **Total** |
| Total segment income | 16.400.146 | 1.040.818 | 17.440.964 |
| **Adjusted EBITDA** | **1.264.526** | **182.580** | **1.447.106** |

| | 1 January – 31 December 2021 | | |
|---|---|---|---|
| | **Stores and e-commerce** | **Dealer Group** | **Total** |
| Total segment income | 7.051.896 | 468.183 | 7.520.079 |
| **Adjusted EBITDA** | **646.241** | **45.238** | **691.479** |

| | **1 January – 31 December 2022** | **1 January – 31 December 2021** |
|---|---|---|
| Reconciliation of Adjusted EBITDA with profit before taxes: | **1.447.106** | **691.479** |
| Depreciation and amortisation expenses | (198.423) | (141.865) |
| Finance income /(costs), net | (463.832) | (247.730) |
| Income/(expenses) from investing activities | 110.120 | 19.438 |
| Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9 | (84) | 10 |
| Other expenses from operating activities, net | (275.637) | (171.052) |
| Provision for employee termination benefits (Note 15) | (17.963) | (10.874) |
| **Profit before tax** | **601.287** | **139.406** |

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

## NOTE 4 – RELATED PARTY DISCLOSURES

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

| | 31 December 2022 | |
|---|---|---|
| | **Receivables** | **Payables** |
| | **Current** | **Current** |
| **Balances with related parties** | **Trading** | **Trading** |
| Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. | 23.374 | -- |
| Akbank T.A.Ş. | 1.874 | -- |
| Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş. | 517 | -- |
| Akçansa Çimento San. ve Tic. A.Ş. | 304 | -- |
| Çimsa Çimento San. ve Tic. A.Ş. | 296 | -- |
| Sabancı Dijital Teknoloji Hizmetleri A.Ş. | 73 | 15.948 |
| Aksigorta A.Ş. | 46 | 2.010 |
| Agesa Hayat ve Emeklilik A.Ş. ve Bağlı Ortaklıkları | 43 | -- |
| Kordsa Teknik Tekstil Anonim Şirketi | 1 | -- |
| Hacı Ömer Sabancı Holding A.Ş. | -- | 1.140 |
| Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş. | -- | 11 |
| Temsa Skoda Sabancı Ulaşım Araçları A.Ş. | -- | 1 |
| Enerjisa Enerji Üretim A.Ş. | -- | 1 |
| Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları | -- | 1.761 |
| | **26.528** | **20.872** |

| | 31 December 2021 | |
|---|---|---|
| | **Receivables** | **Payables** |
| | **Current** | **Current** |
| **Balances with related parties** | **Trading** | **Trading** |
| Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. | 15.255 | -- |
| Çimsa Çimento San. ve Tic. A.Ş. | 1.925 | -- |
| Akbank T.A.Ş. | 856 | -- |
| Kordsa Teknik Tekstil Anonim Şirketi | 244 | -- |
| Temsa Skoda Sabancı Ulaşım Araçları A.Ş. | 129 | -- |
| Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş. | 126 | -- |
| Akçansa Çimento San. ve Tic. A.Ş. | 47 | -- |
| Aksigorta A.Ş. | 17 | 545 |
| Hacı Ömer Sabancı Holding A.Ş. | 10 | 21 |
| Sabancı Dijital Teknoloji Hizmetleri A.Ş. | -- | 10.777 |
| Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları | -- | 1.475 |
| Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş. | -- | 27 |
| | **18.609** | **12.845** |

| Deposit accounts in Akbank T.A.Ş. | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Demand deposit | 163.469 | 90.945 |
| Time deposit | -- | 562.412 |
| | **163.469** | **653.357** |

| Other liquid assets in Akbank T.A.Ş. | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Other liquid assets | 1.186.429 | -- |
| | **1.186.429** | **--** |

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

## NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

| Credit cart receivables in Akbank T.A.Ş. | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Credit card receivables | 22.672 | 9.429 |
| | **22.672** | **9.429** |

| Bank loans in Akbank T.A.Ş. | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Short-term bank loans | 108.327 | -- |
| | **108.327** | **--** |

| *Short and long term lease liabilities* | 31 December 2022 | 31 December 2021 |
|---|---|---|
| *Short-term portions of long-term lease liabilities to related parties* | | |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş. | 1.075 | 1.952 |
| *Long-term lease liabilities to related parties* | | |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş. | -- | 746 |
| | **1.075** | **2.698** |

| | 1 January – 31 December 2022 | | |
|---|---|---|---|
| **Transaction with related parties** | **Sale of goods** | **Rent expense** | **Other expenses** |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş. | 74.366 | (3.031) | (10.222) |
| Akbank T.A.Ş. | 37.647 | -- | -- |
| Akçansa Çimento San. ve Tic. A.Ş. | 4.079 | -- | -- |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş. | 1.609 | -- | -- |
| Agesa Hayat ve Emeklilik A.Ş. ve Bağlı Ortaklıkları | 1.657 | -- | -- |
| H.Ö. Sabancı Holding A.Ş. | 983 | -- | (2.413) |
| Çimsa Çimento San.ve Tic.A.Ş. | 811 | -- | -- |
| Aksigorta A.Ş. | 370 | -- | (22.664) |
| Kordsa Global End. İplik ve Kordbezi San. A.Ş. | 328 | -- | -- |
| Sabancı Dijital Teknoloji Hizmetleri A.Ş. | 132 | -- | (62.841) |
| Enerjisa Enerji Üretim A.Ş. | 29 | -- | (500) |
| Temsa Skoda Sabancı Ulaşım Araçları A.Ş. | 17 | -- | -- |
| Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları | 3 | -- | (10.027) |
| Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş. | -- | -- | (22) |
| | **122.031** | **(3.031)** | **(108.689)** |

| | 1 January – 31 December 2021 | | |
|---|---|---|---|
| **Transaction with related parties** | **Sale of goods** | **Rent expense** | **Other expenses** |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş. | 44.370 | (3.711) | (1.646) |
| Akbank T.A.Ş. | 11.421 | -- | -- |
| Çimsa Çimento San.ve Tic.A.Ş. | 3.047 | -- | -- |
| Aksigorta A.Ş. | 1.622 | -- | (8.191) |
| Akçansa Çimento San. ve Tic. A.Ş. | 453 | -- | -- |
| H.Ö. Sabancı Holding A.Ş. | 439 | -- | (203) |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş. | 319 | -- | -- |
| Kordsa Global End. İplik ve Kordbezi San. A.Ş. | 245 | -- | -- |
| Agesa Hayat ve Emeklilik A.Ş. ve Bağlı Ortaklıkları | 191 | -- | -- |
| Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş. | 120 | -- | -- |
| Sabancı Dijital Teknoloji Hizmetleri A.Ş. | 45 | -- | (14.737) |
| Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları | 24 | -- | (5.707) |
| Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş. | -- | -- | (93) |
| | **62.296** | **(3.711)** | **(30.577)** |

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

## NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

**Benefits for the key management personnel**

The Company's key management has been identified as the general manager and assistant general managers. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the years ended 31 December 2022 and 2021 are as follows:

| | **1 January – 31 December 2022** | **1 January – 31 December 2021** |
|---|---|---|
| Salaries and other benefits | 18.527 | 10.500 |
| | **18.527** | **10.500** |

## NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2022 and 2021 are as follows:

| | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Cash | 8.040 | 2.691 |
| Time deposit | -- | 562.412 |
| Demand deposit | 288.339 | 96.225 |
| Credit card slip receivables | 121.371 | 48.080 |
| Other liquid assets (*) | 1.186.429 | -- |
| | **1.604.179** | **709.408** |

The Company does not have any blocked deposits as at 31 December 2022 and 31 December 2021.

As of 31 December 2022, the Company does not have time deposits. The details of time deposits, maturity dates and interest rates of the company as at 31 December 2021 are as follows:

| **Currency** | **Maturity** | **Interest Rate** | **31 December 2021** |
|---|---|---|---|
| TL | 3 January 2022 | 26,75% | 562.000 |
| | | Accrual of interest | 412 |
| | | | **562.412** |

(*) Other liquid assets consist of short-term liquied funds which is exempt of corporate tax used by the Company from Akbank T.A.Ş. The maturity of the relevant fund is 2 January 2023, and the interest rate is 21,11%. As of 31 December 2022, TL 1.429 interest accrual has been accounted.

The Company's exposure to foreign currency risk for cash and cash equivalents are disclosed in Note 28.

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

## NOTE 6 – SHORT-TERM LOANS AND BORROWINGS

As of 31 December 2022 and 2021, short-term bank loans are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Short-term bank loans from related parties | 108.327 | -- |
| Short-term bank loans from third parties | 93.933 | -- |
| | **202.260** | -- |

The Company does not have any short-term bank loans as at 31 December 2021.

The reconciliation of the Company's liabilities arising from bank loans for the accounting periods ending on 31 December 2022 is as follows:

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Currency | Interest Rate | Amount | Maturity |
| Unsecured bank loans | TL | 21,40% | 93.933 | 14 March 2023 |
| Unsecured bank loans | TL | 44,09% | 108.327 | 25 October 2023 |
| **Short-term financial liabilities** | | | **202.260** | |

The reconciliation of the Company's liabilities arising from bank loans for the accounting periods ending on 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Bank borrowings as of 1 January | -- | 370.058 |
| Credit principal entries during the period | 296.000 | 127.500 |
| Interest and principal repayments during the period | (128.576) | (534.136) |
| Interest expense during the period (including accruals) (Note 24) | 34.836 | 36.578 |
| Bank borrowings as of 31 December | **202.260** | -- |

The details of lease liabilities as at 31 December 2022 and 31 December 2021 are as follows:

| Lease Liabilities | Present value of minimum lease payments | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| Within one year | 178.323 | 117.851 |
| Less: future finance charges | (24.189) | (21.789) |
| Present value of lease liabilities | **154.134** | **96.062** |
| | | |
| Within two years and after | 304.927 | 138.718 |
| Less: future finance charges | (41.362) | (25.647) |
| Present value of lease liabilities | **263.565** | **113.071** |

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 is as follows.

| | 2022 | 2021 |
|---|---|---|
| Lease liabilities at 1 January | 209.133 | 266.406 |
| Increase in lease liabilities during the period | 349.672 | 34.204 |
| Lease payments during the period | (206.657) | (138.913) |
| Interest expense during the period (Note 24) | 65.551 | 47.436 |
| Lease liabilities at 31 December | **417.699** | **209.133** |

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

## NOTE 7 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and trade payables as at 31 December 2022 and 31 December 2021 are as follows:

*Short term trade receivables*

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Trade receivables | 291.311 | 77.850 |
| Notes receivables | 130.539 | 66.718 |
| Due from related parties (Note 4) | 26.528 | 18.609 |
| Allowance for doubtful receivables (-) | (7.336) | (7.252) |
| | **441.042** | **155.925** |

The average maturity of the Company's trade receivables is 1-7 days for retail receivables and 49 days for dealer groups. (31 December 2021: For retail: 1-7 days, 65 days for dealer receivables). As of 31 December 2022, the Company does not apply overdue interest on trade receivables (31 December 2021: None).

The movement of the allowance for doubtful receivables for the years ended 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| As at 1 January | 7.252 | 7.262 |
| Charge for the period | 281 | 10 |
| Reversals | (197) | (20) |
| As at 31 December | **7.336** | **7.252** |

As of 31 December, the Company obtained the collaterals listed below for the checks, notes and trade receivables:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Letters of guarantees received | 283.260 | 113.297 |
| Mortgages | 7.432 | 8.772 |
| | **290.692** | **122.069** |

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 290.692 (31 December 2021: TL 122.069).

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, credit risk for short-term trade receivables and payables and the details of impairment are disclosed in Note 28.

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

## NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

*Short term trade payables:*

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Trade payables | 4.519.299 | 2.403.994 |
| Due to related parties (Note 4) | 20.872 | 12.845 |
| Expense accruals | 20.566 | 11.426 |
| | **4.560.737** | **2.428.265** |

As at 31 December 2022, the Company offset income accruals from its suppliers amounting to TL 232.182 with trade payables (31 December 2021: TL 75.697). Average payment terms of trade payables is 80 days (31 December 2021: 87 days). The Company does not have payments on a monthly basis for late interest as of 31 December 2022. (31 December 2021: None).

The foreign exchange rate risk and liquidity risk for the Company's trade payables are disclosed in Note 28.

## NOTE 8 – OTHER RECEIVABLES AND PAYABLES

The details of other receivables and other payables as at 31 December 2022 and 31 December 2021 are as follows:

*Other receivables:*

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Deposits and guarantees given | 816 | 612 |
| | **816** | **612** |

*Other payables:*

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Deposits and guarantees received | 7.511 | 5.153 |
| | **7.511** | **5.153** |

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

## NOTE 9 - INVENTORIES

The details of the inventories as at 31 December 2022 and 31 December 2021 are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Trading goods | 3.081.163 | 1.674.884 |
| Goods in transit | 207.398 | 58.277 |
| Allowance for impairment on inventories (-) | (23.063) | (14.001) |
| | **3.265.498** | **1.719.160** |

As at 31 December 2022 cost of goods solds reflected to the statement of profit and loss amounting to TL 14.475.108 ( 31 December 2021: TL 6.218.638) (Note 20). As at 31 December 2022 and 2021 the provisions for impairment on inventories are expensed as cost of goods sold (Note 20).

The movements of allowance for inventories for the year ended at 31 December 2022 and 2021 are as below:

| ***Allowance for impairment on inventories:*** | **2022** | **2021** |
|---|---|---|
| As at 1 January | (14.001) | (15.702) |
| Change in the period | (9.062) | (1.200) |
| Current year reversal | -- | 2.901 |
| As at 31 December | **(23.063)** | **(14.001)** |

## NOTE 10 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of prepaid expenses and deferred revenue as at 31 December 2022 and 31 December 2021 are as follows:

| ***Short-term prepaid expenses*** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Advances given for inventories | 68.733 | 828 |
| Short term prepaid expenses | 12.063 | 8.322 |
| | **80.796** | **9.150** |

| ***Long-term prepaid expenses*** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Long term prepaid expenses | 17.445 | 3.753 |
| | **17.445** | **3.753** |

The details of the deferred revenue as at 31 December 2022 and 31 December 2021 are as follows:

| ***Short-term deferred revenue*** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Income from gift checks | 25.952 | 15.460 |
| Advances received | 49.498 | 16.316 |
| Other | 2.552 | 298 |
| | **78.002** | **32.074** |

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

## NOTE 11 – RIGHT OF USE ASSETS

The Company, as a lessee, has included the right of use assets which represents the right to use the underlying assets and lease liabilities which represent the lease payments that it is liable to pay, in its financial statements.

As of 31 December 2022 and 2021, the movement of right of use assets is as follows:

| **Cost value** | **Buildings** | **Vehicles** | **Total** |
|---|---|---|---|
| 1 January 2022 opening balance | 426.810 | 13.476 | 440.286 |
| Additions | 353.612 | 1.440 | 355.052 |
| Disposals | (10.712) | (99) | (10.811) |
| **31 December 2022 closing balance** | **769.710** | **14.817** | **784.527** |
| | | | |
| **Accumulated depreciation** | | | |
| 1 January 2022 opening balance | (267.946) | (5.973) | (273.919) |
| Additions | (139.199) | (3.836) | (143.035) |
| Disposals | 6.674 | 65 | 6.739 |
| **31 December 2022 closing balance** | **(400.471)** | **(9.744)** | **(410.215)** |
| **Net carrying amount as of 1 January 2022** | **158.864** | **7.503** | **166.367** |
| **Net carrying amount as of 31 December 2022** | **369.239** | **5.073** | **374.312** |

| **Cost value** | **Buildings** | **Vehicles** | **Total** |
|---|---|---|---|
| 1 January 2021 opening balance | 379.740 | 13.013 | 392.753 |
| Additions | 52.502 | 463 | 52.965 |
| Disposals | (5.432) | -- | (5.432) |
| **31 December 2021 closing balance** | **426.810** | **13.476** | **440.286** |
| | | | |
| **Accumulated depreciation** | | | |
| 1 January 2021 opening balance | (170.408) | (2.635) | (173.043) |
| Additions | (98.947) | (3.338) | (102.285) |
| Disposals | 1.409 | -- | 1.409 |
| **31 December 2021 closing balance** | **(267.946)** | **(5.973)** | **(273.919)** |
| **Net carrying amount as of 1 January 2021** | **209.332** | **10.378** | **219.710** |
| **Net carrying amount as of 31 December 2021** | **158.864** | **7.503** | **166.367** |

As of 31 December 2022 the depreciation expense is TL 143.035 (2021: TL 102.285), thereof TL 140.955 of depreciation charges included in marketing expenses (31 December 2021: TL 101.112) and TL 2.080 included in general administrative expenses (31 December 2021: TL 1.173 )

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

## NOTE 12 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation for the year ended 31 December 2022 and 2021 are as follows:

| **Cost** | **Buildings** | **Total** |
|---|---|---|
| Balance at 1 January 2022 | 36.284 | 36.284 |
| Transfer | -- | -- |
| Revaluation gain (*) | 56.350 | 56.350 |
| **Balance at 31 December 2022** | **92.634** | **92.634** |
| | | |
| **Accumulated depreciation** | | |
| Balance at 1 January 2022 | (1.124) | (1.124) |
| Charge for the period | -- | -- |
| Disposals | -- | -- |
| **Balance at 31 December 2022** | **(1.124)** | **(1.124)** |
| **Net carrying amount as at 1 January 2022** | **35.160** | **35.160** |
| **Net carrying amount as at 31 December 2022** | **91.510** | **91.510** |

| **Cost** | **Buildings** | **Total** |
|---|---|---|
| Balance at 1 January 2021 | 30.734 | 30.734 |
| Transfers | -- | -- |
| Revaluation gain (*) | 5.550 | 5.550 |
| **Balance at 31 December 2021** | **36.284** | **36.284** |
| | | |
| **Accumulated depreciation** | | |
| Balance at 1 January 2021 | (1.124) | (1.124) |
| Charge for the period | -- | -- |
| Disposals | -- | -- |
| **Balance at 31 December 2021** | **(1.124)** | **(1.124)** |
| **Net carrying amount as at 1 January 2021** | **29.610** | **29.610** |
| **Net carrying amount as at 31 December 2021** | **35.160** | **35.160** |

## NOTE 12 – INVESTMENT PROPERTY (Continued)

The Company generates rental income by TL 2.889 (2021: TL 1.988) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 809 (2021: TL 519). Operating expenses which are not related to the Teknosa store are distributed to lessees.

As of 31 December 2022, buildings which are recognised as property, plant and equipment and investment property were revalued by an independent appraisal firm named Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş. on 14 February 2023.

As of 31 December 2021, 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 14 February 2022.

The appraisal firm is an accredited independent firm licensed by CMB, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. For the fair value of the lands and buildings owned, it was calculated by using the "Benchmark Analysis Method", "Cost Analysis Method" and "Direct Capitalization Analysis Method", and the results obtained were harmonized and the final value was reached.

(*)As of 31 December 2022, for the part of the building held for investment purposes, fair value gain of TL 56.350 (31 December 2021: TL 5.550) were recorded under the expenses from investment activities. Fair value of related building is level 2.

As at 31 December 2022, total insurance amount over investment properties is TL 56.720 (31 December 2021: TL 19.570). 31 December 2022 and 31 December 2021 there is no mortgage on investment properties.

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

## NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2022 are as follows:

| Cost | Buildings | Machinery and equipments | Vehicles | Furniture and fixtures | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2022 | 27.929 | 369 | 242 | 112.049 | 113.403 | 6.925 | 260.917 |
| Additions | -- | -- | -- | 70.225 | 45.125 | 71.078 | 186.428 |
| Revaluation gain (**) | 28.792 | -- | -- | -- | -- | -- | 28.792 |
| Disposals | -- | (274) | -- | (16.618) | (3.999) | -- | (20.891) |
| Allowance of impairments(*) | -- | -- | -- | -- | (300) | -- | (300) |
| Reversal of impairments | -- | -- | -- | 6.049 | -- | -- | 6.049 |
| Transfers | -- | -- | -- | -- | -- | (50.528) | (50.528) |
| **Balance at 31 December 2022** | **56.721** | **95** | **242** | **171.705** | **154.229** | **27.475** | **410.467** |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Balance at 1 January 2022 | (5.930) | (369) | (60) | (77.580) | (92.807) | -- | (176.746) |
| Change for the period | (687) | -- | (37) | (15.877) | (10.079) | -- | (26.680) |
| Disposals | -- | 274 | -- | 15.537 | 3.817 | -- | 19.628 |
| (Allowance for) / reversal of impairment, net (*) | -- | -- | -- | (5.687) | 300 | -- | (5.387) |
| **Balance at 31 December 2022** | **(6.617)** | **(95)** | **(97)** | **(83.607)** | **(98.769)** | **--** | **(189.185)** |
| **Net carrying amount at 1 January 2022** | **21.999** | **--** | **182** | **34.469** | **20.596** | **6.925** | **84.171** |
| **Net carrying amount at 31 December 2022** | **50.104** | **--** | **145** | **88.098** | **55.460** | **27.475** | **221.282** |

(*) As of 31 December 2022, the net impairment loss calculated for property, plant and equipment is TL 362 (31 December 2021: TL 341).

(**) The fair value measurements of the Company's freehold building was performed by Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş., independent valuers not related to the Company. Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş. has been authorized by and a member of CMB, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the freehold building was determined based on the capitalization analysis approach. The fair value increase of TL 28.792 for the building used by the Company in real estate is recorded in the revaluation and measurement gains account under equity. For the related part of the building held for investment purposes, a gain of TL 56.350 (31 December 2021 : TL 5.550) was recorded under the profit or loss statement (Note 12 and 2.5). Fair value of related building is level 2.

As of 31 December 2022, if the building measured with the revaluation model is accounted for using the cost model method, the net book value is TL 8.358 (31 December 2021: TL 8.526).

Thereof TL 17.252 of amortization charges are included in marketing expenses (31 December 2021: TL 10.153) and TL 9.428 are included in general administrative expenses (31 December 2021: TL 7.323).

As at 31 December 2022, total insurance amount over property, plant and equipment is TL 271.495 (31 December 2021: TL 54.089).

As at 31 December 2022 and 31 December 2021 there is no mortgage on property, plant and equipment.

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

## NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2021 are as follows:

| **Cost** | **Building** | **Machinery and equipment** | **Vehicles** | **Furniture and fixtures** | **Leasehold improvements** | **Construction in progress** | **Total** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2021** | 24.324 | 369 | 57 | 89.367 | 104.743 | 2.458 | 221.318 |
| Additions | -- | -- | 185 | 19.014 | 6.311 | 29.766 | 55.276 |
| Revaluation gain | 3.605 | -- | -- | -- | -- | -- | 3.605 |
| Disposals | -- | -- | -- | (733) | (1.368) | -- | (2.101) |
| Allowance of impairments(*) | -- | -- | -- | (350) | (141) | -- | (491) |
| Reversal of impairments (*) | -- | -- | -- | 287 | 510 | -- | 797 |
| Transfers | -- | -- | -- | 4.464 | 3.348 | (25.299) | (17.487) |
| **Balance at 31 December 2021** | **27.929** | **369** | **242** | **112.049** | **113.403** | **6.925** | **260.917** |
| | | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| **Balance at 1 January 2021** | (5.324) | (369) | (57) | (69.545) | (85.561) | -- | (160.856) |
| Change for the period | (606) | -- | (3) | (8.779) | (8.088) | -- | (17.476) |
| Disposals | -- | -- | -- | 450 | 1.101 | -- | 1.551 |
| (Allowance for) / reversal of impairment, net (*) | -- | -- | -- | 294 | (259) | -- | 35 |
| **Balance at 31 December 2021** | **(5.930)** | **(369)** | **(60)** | **(77.580)** | **(92.807)** | **--** | **(176.746)** |
| **Net carrying amount at 1 January 2021** | **19.000** | **--** | **--** | **19.822** | **19.182** | **2.458** | **60.462** |
| **Net carrying amount at 31 December 2021** | **21.999** | **--** | **182** | **34.469** | **20.596** | **6.925** | **84.171** |

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

## NOTE 14 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated depreciation for the year ended 31 December 2022 and 2021 are as follows:

| **Cost** | **Licences-rights and computer softwares** | **Total** |
|---|---|---|
| Balance at 1 January 2022 | 175.620 | 175.620 |
| Additions | 6.073 | 6.073 |
| Transfers (*) | 50.528 | 50.528 |
| Disposals | (18) | (18) |
| **Balance at 31 December 2022** | **232.203** | **232.203** |
| | | |
| **Accumulated amortisation and impairment losses** | | |
| Balance at 1 January 2022 | (125.407) | (125.407) |
| Charge for the period | (28.708) | (28.708) |
| Disposals | 5 | 5 |
| **Balance at 31 December 2022** | **(154.110)** | **(154.110)** |
| **Net book value as at 1 January 2022** | **50.213** | **50.213** |
| **Net book value as at 31 December 2022** | **78.093** | **78.093** |

| **Cost** | **Licences-rights and computer softwares** | **Total** |
|---|---|---|
| **Balance at 1 January 2021** | 142.982 | 142.982 |
| Additions | 15.336 | 15.336 |
| Transfers (*) | 17.487 | 17.487 |
| Disposals | (185) | (185) |
| **Balance at 31 December 2021** | **175.620** | **175.620** |
| | | |
| **Accumulated amortisation and impairment losses** | | |
| Balance at 1 January 2021 | (103.340) | (103.340) |
| Charge for the period | (22.104) | (22.104) |
| Disposals | 37 | 37 |
| **Balance at 31 December 2021** | **(125.407)** | **(125.407)** |
| **Net book value as at 1 January 2021** | **39.642** | **39.642** |
| **Net book value as at 31 December 2021** | **50.213** | **50.213** |

(*) As at 31 December 2022 and 2021, the Company conducted an analysis for the classification of tangible and intangible assets and considered the changes as transfers between accounts.

Amortisation expenses amounting to TL 17.943 (2021: TL 13.905) are included in marketing expenses and TL 10.765 (2021: TL 8.199 ) are included in general administrative expenses.

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

## NOTE 15– PAYABLES RELATED TO EMPLOYEE BENEFITS AND PROVISINS FOR EMPLOYEE BENEFITS

The details of payables related to employee benefits as at 31 December 2022 and 2021 are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Social security premiums payable | 29.348 | 12.374 |
| Accrued salaries | 26.123 | 13.986 |
| Income taxes payable | 7.081 | 3.568 |
| | **62.552** | **29.928** |

The details of the provisions for employee benefits as at 31 December 2022 and 31 December 2021 are as follows:

| ***Short-term provisions*** | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Provision for head office personnel premium | 42.282 | 6.708 |
| Provision for sales personnel premium | 22.935 | 6.948 |
| Provision for unused vacation | 10.223 | 5.446 |
| | **75.440** | **19.102** |

| ***Long-term provisions*** | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Provision for employee termination benefit | 65.357 | 17.614 |
| Provision for head office personnel premium | 3.345 | 473 |
| | **68.702** | **18.087** |

**Provisions for employment benefits**

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age after 25 years of service (58 for women and 60 for men).

Retirement pay liability is not subject to any kind of funding legally. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

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

## NOTE 15– PAYABLES RELATED TO EMPLOYEE BENEFITS AND PROVISINS FOR EMPLOYEE BENEFITS (Continued)

**Long-term provisions (continued)**

**Provisions for employment benefits (continued)**

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Due to the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2022, 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 0,50% real discount rate (31 December 2021: 4,20 %) calculated by using 18,95% annual inflation rate and 19,54% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel for 0-15 years are taken into consideration as 17,21% and 11,15%, respectively (31 December 2021: 15,70 % and 10,21%,), 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 (124 personnel) and the provision has been calculated accordingly.

Ceiling amount of TL 19.982,83 which is revised semi-annually and effective since 1 January 2023 is used in the calculation of Company's provision for retirement pay liability (1 January 2022: TL 10.848,59).

The movement of employment termination benefit provision for the year ended 31 December 2022 and 2021 are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Opening balance, 1 January | 17.614 | 13.031 |
| Service cost | 14.402 | 9.290 |
| Interest cost | 3.561 | 1.584 |
| Actuarial (gain) / loss | 42.317 | 2.834 |
| Paid compensation during the year | (12.537) | (9.125) |
| | **65.357** | **17.614** |

## NOTE 16 – PROVISIONS

The details of the other short term provisions as at 31 December 2022 and 2021 are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Provisions for ongoing litigation (*) | 12.417 | 10.697 |
| Provisions for stores | 5.107 | 2.077 |
| Warranty provision | 2.000 | 182 |
| Other | 4.167 | 1.299 |
| | **23.691** | **14.255** |

(*) Provision for ongoing litigation is comprised of lawsuits filed by consumers and former employees against the Company.

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

## NOTE 16 – PROVISIONS (Continued)

The movement of provisions for ongoing litigation and cancellation of rent agreements for the year ended 31 December 2022 and 2021 are as follows:

| | 1 January 2022 | 1 January-31 December 2022 additional provisions | 1 January-31 December 2022 paid/reversal provisions | 31 December 2022 |
|---|---|---|---|---|
| Litigation provisions | **10.697** | **4.681** | **(2.961)** | **12.417** |
| *Claim for damages* | 1.545 | -- | (484) | 1.061 |
| *Reemployment lawsuit* | 5.601 | 4.341 | -- | 9.942 |
| *Consumer lawsuits* | 990 | 340 | -- | 1.330 |
| *Rental litigation provisions* | 2.561 | -- | (2.477) | 84 |
| | **10.697** | **4.681** | **(2.961)** | **12.417** |

| | 1 January 2021 | 1 January-31 December 2021 additional provisions | 1 January-31 December 2021 paid/reversal provisions | 31 December 2021 |
|---|---|---|---|---|
| Rent termination provisions | 739 | -- | (739) | -- |
| Litigation provisions | **7.113** | **6.564** | **(2.980)** | **10.697** |
| *Claim for damages* | -- | 1.545 | -- | 1.545 |
| *Reemployment lawsuit* | 4.338 | 4.087 | (2.824) | 5.601 |
| *Consumer lawsuits* | 1.146 | -- | (156) | 990 |
| *Rental litigation provisions* | 1.629 | 932 | -- | 2.561 |
| | **7.852** | **6.564** | **(3.719)** | **10.697** |

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

## NOTE 17 – COMMITMENTS

### *Collateral, pledge, mortgage position*

Collaterals, pledges and mortgages ("CPM") given by the Company as at 31 December 2022 and 2021 are as follows:

| **CPMs given by the Company** | **31 December 2022** | | | |
|---|---|---|---|---|
| | TL equivalent | USD | Euro | TL |
| A. Total amount of CPM given on behalf of own legal personality | **1.518.862** | **8.738** | **6.273** | **1.230.420** |
| - Collaterals | 1.305.352 | 1.344 | 2.871 | 1.222.988 |
| - Pledges | -- | -- | -- | -- |
| - Mortgages | 7.432 | -- | -- | 7.432 |
| - Letter of credit | 206.078 | 7.394 | 3.402 | -- |
| 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** | **1.518.862** | **8.738** | **6.273** | **1.230.420** |

| **CPMs given by the Company** | **31 December 2021** | | | |
|---|---|---|---|---|
| | TL equivalent | USD | Euro | TL |
| A. Total amount of CPM given on behalf of own legal personality | **891.219** | **9.489** | **4.728** | **698.656** |
| - Collaterals | 760.042 | 1.452 | 3.495 | 689.884 |
| - Pledges | -- | -- | -- | -- |
| - Mortgages | 8.772 | -- | -- | 8.772 |
| - Letter of credit | 122.405 | 8.037 | 1.233 | -- |
| 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** | **891.219** | **9.489** | **4.728** | **698.656** |

The ratio of other CPM given on behalf of third parties except for the CPM given on behalf of the Company's own legal personality to total equity is 0% as at 31 December 2022 (31 December 2021: 0%).

As at 31 December 2022 and 31 December 2021, the Company is contingently liable in respect of bank letter of guarantees obtained from banks mainly given to lessors in accordance with the lease agreements, enforcement office related to ongoing lawsuits and custom related to import transactions.

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

## NOTE 18 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current assets as at 31 December 2022 and 31 December 2021 are as follows:

| *Other current assets* | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Deferred VAT | 34.388 | 26.128 |
| Advances given | 6.676 | 1.594 |
| Personnel advances | 419 | 92 |
| Other current assets | 5.564 | 1.502 |
| | **47.047** | **29.316** |

The details of the other current liabilities as at 31 December 2022 and 31 December 2021 are as follows:

| *Other current liabilities* | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Other expense accruals | 1.254 | 764 |
| Other liabilities and obligations | 3.001 | 1.353 |
| | **4.255** | **2.117** |

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

## NOTE 19 – SHAREHOLDERS' EQUITY

The registered capital ceiling of the Company is 300.000.000 full TL and it consists of 30.000.000.000 shares with a nominal value of 1 Kr each.

The Company's approved and the issued share capital consists of 20.100.000.000 shares of 1 Kr nominal value (31 December 2021: approved and the issued 20.100.000.000 shares of 1 Kr nominal value).

The details of the shareholder's equity structure as at 31 December 2022 and 2021 are as follows:

| | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | **Share** | **%** | **Share** | **%** |
| Hacı Ömer Sabancı Holding A.Ş. | 100.500 | %50 | 100.500 | %50 |
| Other | 100.500 | %50 | 100.500 | %50 |
| **Nominal share capital** | **201.000** | **%100** | **201.000** | **%100** |
| Adjustment for capital | 6.628 | | 6.628 | |
| **Adjusted capital** | **207.628** | | **207.628** | |

With the decision of the board of directors dated 22 February 2021, it has been decided to increase the issued capital of the Company with a nominal value of 110.000.000 full TL to 201.000.000 by an increase of 91.000.000 in total, to be fully paid in cash. In this context, as a result of the exercise of the right to buy new shares between 28 April 2021 and 17 May 2021, the sale of shares with a nominal value of 90.515.180,769 was completed and a total gross income of 271.545.637,51 was obtained. As a result of the sale of all shares with a nominal value of 484.819,231 TL that were not subject to the exercise of the right to purchase new shares, on the Borsa Istanbul Primary Market on 20 May 2021, a total gross income of 4.109.186,32 TL was obtained. As a result of these transactions, the value of the issued capital of 110.000.000 full TL was increased by 91.000.000 full TL, paid in full and in cash, and increased to 201.000.000 full TL, and a cash inflow of 275.654.823,83 full TL was obtained from the capital increase. The 10th article regarding the capital of the Articles of Association, which indicates that the Company's issued capital is 201.000.000 full TL, has been registered and announced in the Turkish Trade Registry Gazette dated 21 June 2021 and numbered 10353.

### Share premiums

It is the item where the amounts that arise due to capital movements such as share issue premiums, canceled partnership shares, share sales profits of companies whose controlling power continues and which are considered a part of the capital are followed. As of 31 December 2022, shares premiums in the financial statements of the Company are TL 184.655 (31 December 2021: TL 184.655.)

### Restricted reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company (Company)'s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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

## NOTE 19 – SHAREHOLDERS' EQUITY (Continued)

Legal reserves as mentioned above shall be classified as "Restricted Reserves Appropriated from Profit" according to Capital Markets Board financial reporting standards. The details of legal reserves are stated below as of 31 December 2022 and 2021:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Legal reserves | 8.704 | 8.704 |
| | **8.704** | **8.704** |

Profit Distribution

Public companies distribute profit in accordance with Profit Share Communique no II-19.1 issued by CMB effective from 1 February 2014. Companies distribute their profit due to profit distribution policies set by the general assembly in accordance with the related legislation verdicts with a general assembly minute. Within the extent of the communique mentioned above a minimal distribution rate is not designated. Companies distribute their profits in accordance with their main agreements of profit distribution policies.

### Other comprehensive income that will not be reclassified to profit or loss

*Gains on revaluation of property, plant and equipment*

It consists of other comprehensive income of gains on revaluation of property, plant and equipment reserves that is not associated with profit and loss.

The movements of revaluation of property, plant and equipment for the year ended 31 December 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Opening balance | 34.365 | 31.121 |
| Fair value increase | 29.714 | 3.244 |
| **Closing Balance** | **64.079** | **34.365** |

*Gain / (losses) on remeasurement of defined benefit plans*

As of 31 December 2022, actuarial loss amounting to TL 42.364 (31 December 2021: TL 8.510) is recognized as other comprehensive expense.

### Items that are or may be reclassified to profit or loss

*Hedging reserves*

Hedging reserves consist of the effective portion of the accumulated net change in the fair value of the cash flow hedging instrument related to the hedged transaction that unrealized. As of 31 December 2022 The Company's hedging losses are TL 2.090 (31 December 2021: TL 431 earnings).

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

## NOTE 20 – REVENUE AND COST OF REVENUE

The details of revenue and cost of revenue for the year ended 31 December 2022 and 2021 are as follows:

| ***Revenue (net)*** | **1 January – 31 December 2022** | **1 January – 31 December 2021** |
|---|---|---|
| Retail sales | 14.452.877 | 5.971.779 |
| E-commerce sales | 1.947.269 | 1.080.117 |
| Dealer sales | 1.040.818 | 468.183 |
| | **17.440.964** | **7.520.079** |

| ***Cost of revenue*** | **1 January – 31 December 2022** | **1 January – 31 December 2021** |
|---|---|---|
| Cost of trading goods sold | (14.475.108) | (6.218.638) |
| Installation and warranty expenses | (61.614) | (34.615) |
| | **(14.536.722)** | **(6.253.253)** |

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

## NOTE 21 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for the year ended 31 December 2022 and 2021 are as follows:

| *Marketing expenses* | **1 January – 31 December 2022** | **1 January – 31 December 2021** |
|---|---|---|
| Personnel expenses | (498.965) | (207.300) |
| Rent expenses | (288.167) | (105.568) |
| Advertising and promotion expenses | (192.393) | (66.206) |
| Depreciation and amortisation expenses | (176.150) | (125.170) |
| Transportation expenses | (90.133) | (41.586) |
| Energy, fuel, water expenses | (68.399) | (19.230) |
| Consultancy expenses | (54.292) | (40.142) |
| Maintenance expenses | (22.170) | (9.487) |
| Travel and accommodation expenses | (3.901) | (920) |
| Communication expenses | (1.583) | (1.224) |
| Other expenses | (74.262) | (26.140) |
| | **(1.470.415)** | **(642.973)** |

The details of administrative expenses for the year ended 31 December 2022 and 2021 are as follows:

| *General administrative expenses* | **1 January – 31 December 2022** | **1 January – 31 December 2021** |
|---|---|---|
| Personnel expenses | (104.170) | (36.762) |
| IT expenses | (42.207) | (16.182) |
| Depreciation and amortisation expenses | (22.273) | (16.695) |
| Consultancy expenses | (18.552) | (6.213) |
| Rent expenses | (3.195) | (3.254) |
| Travel expenses | (2.231) | (361) |
| Maintenance expenses | (1.138) | (713) |
| Independent audit expenses | (845) | (325) |
| Energy, fuel, water expenses | (159) | (58) |
| Other expenses | (8.337) | (4.550) |
| | **(203.107)** | **(85.113)** |

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

## NOTE 22 – OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

The details of other income from operating activities for the year ended 31 December 2022 and 2021 are as follows:

| *Other income from main operating activities* | **1 January – 31 December 2022** | **1 January – 31 December 2021** |
|---|---|---|
| Foreign exchange gains | 90.708 | 45.949 |
| Interest income | 54.700 | 16.870 |
| Gift checks | 2.276 | 840 |
| Income from personnel | 1.991 | 1.531 |
| Impairment of fixed asset | 362 | 341 |
| Concessions on lease payments | -- | 14.734 |
| Other income and profits | 10.524 | 5.229 |
| | **160.561** | **85.494** |

The details of other expense from operating activities for the year ended 31 December 2022 and 2021 are as follows:

| *Other expense from operating activities (-)* | **1 January – 31 December 2022** | **1 January – 31 December 2021** |
|---|---|---|
| Interest expenses | (294.101) | (166.987) |
| Foreign exchange losses | (111.816) | (68.332) |
| Litigation expenses | (7.300) | (4.287) |
| Other expenses and losses | (22.981) | (16.940) |
| | **(436.198)** | **(256.546)** |

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

## NOTE 23 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of investment income for the year ended 31 December 2022 and 2021 are as follows:

***Income from investing activities***

| | 1 January – 31 December 2022 | 1 January – 31 December 2021 |
|---|---|---|
| Interest income on time deposit | 54.326 | 14.021 |
| Investment property revaluation gain (Note 12) | 56.350 | 5.550 |
| Gain from sale of fixed asset | 670 | 499 |
| | **111.346** | **20.070** |

***Expense from investing activities (-)***

The details of other expenses from operating activities for the year ended 31 December 2022 and 2021 are as follows:

| | 1 January – 31 December 2022 | 1 January – 31 December 2021 |
|---|---|---|
| Loss from sale of fixed assets | (1.226) | (632) |
| | **(1.226)** | **(632)** |

## NOTE 24 – FINANCE COSTS AND INCOME

The details of finance costs for the year ended 31 December 2022 and 2021 are as follows:

| | 1 January – 31 December 2022 | 1 January – 31 December 2021 |
|---|---|---|
| Credit card commission expenses | (414.277) | (171.928) |
| Interest expense due lease liabilities (Note 6) | (65.551) | (47.436) |
| Interest and commission expenses | (34.836) | (36.578) |
| Foreign exchange expenses | (8.213) | (4.318) |
| Guarantee letters commission expenses | (8.063) | (5.065) |
| Other finance costs | (1.500) | (531) |
| | **(532.440)** | **(265.856)** |

The details of finance income for the year ended 31 December 2022 and 2021 are as follows:

| | 1 January – 31 December 2022 | 1 January – 31 December 2021 |
|---|---|---|
| Foreign exchange income | 68.608 | 18.126 |
| | **68.608** | **18.126** |

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

## NOTE 25 – DERIVATIVES

| | 31 December 2022 Assets | 31 December 2022 Liabilities | 31 December 2021 Assets | 31 December 2021 Liabilities |
|---|---|---|---|---|
| Foreign currency forward contracts | -- | (2.613) | 575 | -- |
| Short-term | -- | *(2.613)* | *575* | -- |
| | **--** | **(2.613)** | **575** | **--** |

As of 31 December 2022, the Company signed foreign currency forward contracts with the maturities in three months in order to hedge the foreign exchange exposures arising from the purchases denominated in foreign currency of the dealers. As at 31 December 2022 the total nominal amount of foreign exchange forward contracts that the Company is obliged to realize and which are not due is TL 100.271 (EUR 1.419 and USD 3.650) (31 December 2021: TL 92.468) (EUR 4.211 and USD 2.036). As at 31 December 2022, fair value of the Company's foreign currency forward contracts is estimated to be approximately TL 2.613 as liabilities (31 December 2021: TL 575 asset). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date.

As of 31 December 2022, the amount after tax of cash flow hedge losses that the Company has accounted for in other comprehensive income is TL 2.119. (31 December 2021: 431 TL earnings).

## NOTE 26 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

*Corporate income tax:*

The Company is subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month.

In Turkey, the corporate tax rate was applied as 20% after 1 January 2021 to the legal tax base, which was calculated by adding non-deductible expenses to and by deducting the exemptions from the the commercial income in accordance with the tax laws. However, according to the Article 11 of the Law numbered 7316 "Law on Collection Procedure of Public Claims and Law on Amending Certain Laws" which was published on the Official Gazette numbered 31462 on 22 April 2021 and according to the provisional clause 13 added to the Corporate Tax Law numbered 5520; corporate tax rate is amended to 23% for the corporate earnings of the 2022 taxation period. Therefore, the Company used 23% taxation rate for the calculation of current period's taxation.

Within the scope of the this amendment, deferred tax assets and liabilities in the financial statements dated 31 December 2022 are calculated at the rates of 20%, respectively, for the portions of temporary differences that will have tax effects in 2023 and the following periods.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be revised.

Dividend payments made to resident joint stock companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 15% income tax.

## NOTE 26 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

*Corporate income tax (Continued)*

Dividend earnings made from joint stock companies in Turkey to other joint stock companies in Turkey are not considered within the scope of income tax. In addition, income tax is not calculated in cases such as profit is not distributed or added to the capital.

Dividend earnings (excluding dividends obtained from mutual funds participation certificates and investment trusts' shares) obtained by corporations from participating in the capital of another corporation subject to full liability are exempt from corporation tax. Additionally, 75% of the gains arising from the sale of the shares, founding notes, usufruct shares and pre-emptive rights of the properties (real estates) owned by the corporations for at least two full years in the assets of the shares held for the same period are exempt from corporate tax. However, with the amendment made to the Law No. 7061, this ratio has been reduced from 75% to 50% in terms of immovables and this ratio will be used as 50% for the immovables to be prepared as of 2018.

In order to benefit from the exception, the income in question must be kept in a passive fund account and not withdrawn from the business for a period of 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale was made.

In Turkey, there is no practice of reaching an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the accounting period. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years following the accounting period and make a reassessment as a result of their findings.

### Income withholding tax

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to a 15% withholding tax until 22 December 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the President's Decision No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the withholding tax rate of 15% has been reduced to 10%.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Adding retained earnings to the capital is not counted as dividend distribution, so it is not subject to withholding tax.

### Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 on disguised profit distribution via transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price or price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered as an expense that is not legally accepted for corporate tax.

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

## NOTE 26 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

Tax income / (expenses) for the year ended 31 December 2022 and 2021 are as follows:

| | 1 January – 31 December 2022 | 1 January – 31 December 2021 |
|---|---|---|
| ***Tax expense:*** | | |
| Corporate tax expense of the current period | (104.579) | -- |
| **Deferred tax expenses:** | | |
| Deferred tax (expenses) / income from temporary differences | 28.219 | (7.942) |
| | **(76.360)** | **(7.942)** |

*Deferred tax assets and liabilities*

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS and tax legislation.

The details of the deferred tax assets and liabilities calculation by using effective tax rates for the year ended 31 December 2022 and 2021 is as follows:

| *Deferred tax assets / (liabilities)* | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Expense accruals | 24.618 | 9.926 |
| Inventories | 18.466 | 12.971 |
| Provision for employment termination benefits | 13.071 | 3.523 |
| Right of use asset | 8.851 | 8.689 |
| Revaluation and depreciation / amortization differences of property, plant and equipment and other intangible assets | 6.060 | (12.179) |
| Litigations | 2.538 | 1.884 |
| Provision for unused vacations | 2.045 | 1.253 |
| Discount income | (8.400) | (4.970) |
| Prior year tax losses | -- | 12.982 |
| Other | 8.279 | 3.207 |
| | **75.528** | **37.286** |

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

## NOTE 26 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (continued)

*Deferred tax assets and liabilities (continued)*

The movements of deferred tax asset as of 31 December 2022 and 2021 are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Opening balance at 1 January | 37.286 | 45.165 |
| Current tax income/(expense) | 28.219 | (7.942) |
| Recognized in the equity | 10.023 | 63 |
| | **75.528** | **37.286** |

The reconciliation of the period tax expense with the profit for the period is as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Profit from operations | 601.287 | 139.406 |
| Income tax rate | %23 | %25 |
| Calculated tax | (138.296) | (34.852) |
| **Reconciliation of effective tax rate** | | |
| *- Effect of revaluation which is cancelled on the current year* | 56.452 | -- |
| *-Tax effect of previous year losses on which deferred tax is calculated and written off in the current period* | 14.930 | 28.982 |
| *- Tax exempt income* | 12.001 | -- |
| *- Disallowable expenses* | (8.504) | (4.282) |
| *- Tax rate change effect* | (12.262) | 2.032 |
| *- Other* | (681) | 178 |
| **Tax provision expense in the income statement** | **(76.360)** | **(7.942)** |

As of 31 December 2022 and 2021, the details of current tax liability are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Corporate tax payable | 104.579 | -- |
| Less: Prepaid taxes | (71.712) | -- |
| **Current tax liability** | **32.867** | **--** |

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

## NOTE 27 – EARNINGS / (LOSS) PER SHARE

Earnings per share stated in the statement of comprehensive income is determined by dividing the net profit for the period by the weighted average number of shares issued during the relevant period.

| | 1 January - 31 December 2022 | 1 January - 31 December 2021 |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the period (in full) | 20.100.000.000 | 15.911.506.849 |
| Profit/(loss) for the year attributable to owners of the company | 524.927 | 131.464 |
| Profit earnings per share from continuing operations -thousands of ordinary shares (thousands TL) | 0,0261 | 0,0083 |
| Profit diluted earnings per share from continuing operations -thousands of ordinary shares (thousands TL) | 0,0261 | 0,0083 |

## NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### a) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total payables (including borrowings, trade payables, due to related parties and advances received, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Total financial liabilities | 619.959 | 209.133 |
| Minus: Cash and cash equivalents and banks | (1.604.179) | (709.408) |
| **Financial liabilities, net** | (984.220) | (500.275) |
| Total equity | **761.219** | **242.982** |
| **Financial liabilities, net / equity** | (%129) | (%206) |

### b) Financial risk factors

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Significant part of trade receivables comprise credit card receivables and the Company has is not exposed to credit risk concerning credit card receivables. The Company collects the instalments of its credit card sales according to the mutually agreed discount rates with the banks and financial institutions on the next day when the sale made within the scope of the credit card sales contracts made under the various banks and financial institutions. Other trade receivables, cheques and notes are due from dealer sales of air-conditioning, cash register and white goods. The Company has set up an effective control system on the dealers that are followed by credit risk management and each debtors have their own credit limit. The Company consider the past experience and collateral from dealers (Note 7).

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

## NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### b) Financial risk factors (continued)

*b.1) Credit risk management*

The credit risk as a financial risk factors as at 31 December 2022 is as follows:

| | Receivables | | | |
|---|---|---|---|---|
| **Credit risk of financial instruments** | **Trade Receivables** | | **Other Receivables** | |
| **31 December 2022** | **Related Parties** | **Third Parties** | **Third Parties** | **Deposits at bank and credit card receivables** |
| Maximum credit risk as of balance sheet date (*) | 26.528 | 414.514 | 816 | 1.596.139 |
| -The part of maximum risk under guarantee with collateral etc. (**) | -- | 290.692 | -- | -- |
| A.Net book value of financial assets that are neither past due nor impaired. | 9.093 | 408.057 | 816 | 1.596.139 |
| B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired | 17.345 | 6.457 | -- | -- |
| C.Net book value of impaired assets | -- | -- | -- | -- |
| - Past due (gross carrying amount) | -- | 7.336 | -- | -- |
| '- Impairment (-) | -- | (7.336) | -- | -- |
| '- The part of net value under guarantee with collateral etc. | -- | -- | -- | -- |
| - Not past due (gross carrying amount) | -- | -- | -- | -- |
| '- Impairment (-) | -- | -- | -- | -- |
| '- The part of net value under guarantee with collateral etc. | -- | -- | -- | -- |
| D. Off-balance sheet items with credit risk | -- | -- | -- | -- |

(*) Guarantees received and other factors increasing loan reliability are not considered in determining this amount.
(**) Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

## NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### b) Financial risk factors (continued)

*b.1) Credit risk management (continued)*

The credit risk as a financial risk factors as at 31 December 2021 is as follows:

| | Receivables | | | |
|---|---|---|---|---|
| **Credit risk of financial instruments** | | **Trade Receivables** | **Other Receivables** | |
| **31 December 2021** | **Related Parties** | **Third Parties** | **Third Parties** | **Deposits at bank and credit card receivables** |
| Maximum credit risk as of balance sheet date (*) | 18.609 | 137.316 | 612 | 706.717 |
| -The part of maximum risk under guarantee with collateral etc. (**) | -- | 122.069 | -- | -- |
| A.Net book value of financial assets that are neither past due nor impaired. | 2.101 | 136.606 | 612 | 706.717 |
| B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired | 16.508 | 710 | -- | -- |
| C.Net book value of impaired assets | -- | -- | -- | -- |
| - Past due (gross carrying amount) | -- | 7.252 | -- | -- |
| '- Impairment (-) | -- | (7.252) | -- | -- |
| '- The part of net value under guarantee with collateral etc. | -- | -- | -- | -- |
| - Not past due (gross carrying amount) | -- | -- | -- | -- |
| '- Impairment (-) | -- | -- | -- | -- |
| '- The part of net value under guarantee with collateral etc. | -- | -- | -- | -- |
| D. Off-balance sheet items with credit risk | -- | -- | -- | -- |

(*) Guarantees received and other factors increasing loan reliability are not considered in determining this amount.
(**) Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

## NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### b) Financial risk factors (continued)

Explanations on the credit quality of financial assets

As of 31 December 2022 and 2021, banks which contain cash and cash equivalents that are included in the neither overdue nor impaired financial assets have mostly high credit ratings, whereas the counterparties included in trade receivables in the same category are customers / related parties with whom the Company has been in relation for a long time and did not have any significant collection problems.

Aging of receivables that are past due but not impaired are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Past due 1-30 days | 15.052 | 10.193 |
| Past due 1-3 months | 8.840 | 6.103 |
| Past due 3-12 months | -- | 922 |
| **Total past due receviables** | **23.892** | **17.218** |
| | | |
| The part of risk that is secured by collateral | 200 | 2.021 |

*b.2) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management monitors the Company's liquidity reserve movements according to their projected cash flows.

The Company management holds adequate cash, credit commitment and credit card receivables that will meet the need for cash for recent future in order to manage its liquidity risk.

In this context, the Company has credit commitment agreements (monetary and non-monetary) from banks amounting to TL 7.135.025.651 that the Company can utilize whenever needed as of 31 December 2022 (2021: TL 4.709.149).

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

## NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### b) Financial risk factors (continued)

The table below shows the Company's liquidity risk arising from financial liabilities:

| 31 December 2022 | Carrying amount | Total contractual cash flow (I+II+III) | Less than 3 months (I) | 3-12 months (II) | 1-5 years (III) |
|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | |
| Trade payables | 4.560.737 | 4.560.737 | 4.560.737 | -- | -- |
| *Related parties* | *20.872* | *20.872* | *20.872* | -- | -- |
| *Other* | *4.539.865* | *4.539.865* | *4.539.865* | -- | -- |
| Bank loans | 202.260 | 202.260 | 93.933 | 108.327 | -- |
| Lease liabilities | 417.699 | 483.251 | 45.303 | 133.020 | 304.928 |
| Other payables | 7.511 | 7.511 | 7.511 | -- | -- |
| **Total liabilities** | **5.188.207** | **5.253.759** | **4.707.484** | **241.347** | **304.928** |

| | | | | | |
|---|---|---|---|---|---|
| **Derivative financial liabilities** | | | | | |
| For hedging purposes forward currency contracts | | | | | |
| *-Cash outflow* | 2.613 | (97.658) | (97.658) | | |
| *-Cash inflow* | -- | 100.271 | 100.271 | | |

| 31 December 2021 | Carrying amount | Total contractual cash flow (I+II+III) | Less than 3 months (I) | 3-12 months (II) | 1-5 years (III) |
|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | |
| Trade payables | 2.428.265 | 2.428.265 | 2.428.265 | -- | -- |
| *Related parties* | *12.845* | *12.845* | *12.845* | -- | -- |
| *Other* | *2.415.420* | *2.415.420* | *2.415.420* | -- | -- |
| Lease liabilities | 209.133 | 256.569 | 33.670 | 84.181 | 138.718 |
| Other payables | 5.153 | 5.153 | 5.153 | -- | -- |
| **Total liabilities** | **2.642.551** | **2.689.987** | **2.467.088** | **84.181** | **138.718** |

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

## NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### b) Financial risk factors (continued)

### Foreign currency risk

As the Company primarily purchases from domestic vendors in TL, the Company is exposed to limited foreign exchange risk.

The risk is monitored by the Board of Directors in regular meetings. The idle cash is invested in foreign currency in order to minimise the foreign exchange risk resulted from balance sheet items. The Company also manages the foreign currency risk by limited use of forward contracts, which is one of derivative instruments, if necessary.

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | **TL equivalent** | **USD** | **EUR** | **Other** |
| 1. Trade receivable | 2.044 | 88 | 20 | -- |
| 2a.Monetary financial assets (including cash on hand and bank accounts) | 130.743 | 5.505 | 1.395 | -- |
| 2b.Non monetary financial assets | -- | -- | -- | -- |
| 3. Other | 653 | 30 | 4 | -- |
| **4. Current assets (1+2+3)** | **133.440** | **5.623** | **1.419** | -- |
| 5. Trade receivables | -- | -- | -- | -- |
| 6a. Monetary financial assets | -- | -- | -- | -- |
| 6b. Non monetary financial assets | -- | -- | -- | -- |
| 7. Other | 692 | 37 | -- | -- |
| **8. Non current assets (5+6+7)** | **692** | **37** | **--** | -- |
| **9. Total assets (4+8)** | **134.132** | **5.660** | **1.419** | -- |
| 10. Trade payables | (275.172) | (13.276) | (1.350) | (1) |
| 11. Financial liabilities | -- | -- | -- | -- |
| 12a. Other monetary liabilities | -- | -- | -- | -- |
| 12b. Non monetary other liabilities | (7.370) | (392) | (2) | -- |
| **13. Current liabilities (10+11+12)** | **(282.542)** | **(13.668)** | **(1.352)** | **(1)** |
| 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)** | **(282.542)** | **(13.668)** | **(1.352)** | **(1)** |
| **19. Net asset/ (liability) position of off-statement derivative instruments (19a-19b)** | **(96.526)** | **(3.650)** | **(1.419)** | **--** |
| **19a. Off-balance sheet derivative assets** | -- | -- | -- | -- |
| **19b.Off-balance sheet derivative liabilities** | **96.526** | **3.650** | **1.419** | -- |
| **20. Net position of foreign currency asset / (liability) (9+18+19)** | **(244.936)** | **(11.658)** | **(1.352)** | **(1)** |
| **21. Net position of monetary foreign currency asset / (liability) (TFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)** | **(142.385)** | **(7.683)** | **65** | **(1)** |
| **22. Total fair value of foreign currency hedge** | **(2.613)** | **(129)** | **(10)** | -- |

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

## NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### b) Financial risk factors (continued)

### Foreign currency risk (continued)

| | 31 December 2021 | | |
|---|---|---|---|
| | TL equivalent | USD | EUR |
| 1. Trade receivable | 4.979 | 326 | 51 |
| 2a.Monetary financial assets (including cash on hand and bank accounts) | 72.406 | 4.207 | 1.213 |
| 2b.Non monetary financial assets | -- | -- | -- |
| 3. Other | 582 | 44 | 1 |
| **4. Current assets (1+2+3)** | **77.967** | **4.577** | **1.265** |
| 5. Trade receivables | -- | -- | -- |
| 6a. Monetary financial assets | -- | -- | -- |
| 6b. Non monetary financial assets | -- | -- | -- |
| 7. Other | 480 | 37 | -- |
| **8. Non current assets (5+6+7)** | **480** | **37** | **--** |
| **9. Total assets (4+8)** | **78.447** | **4.614** | **1.265** |
| 10. Trade payables | (52.467) | (2.433) | (1.423) |
| 11. Financial liabilities | -- | -- | -- |
| 12a. Other monetary liabilities | -- | -- | -- |
| 12b. Non monetary other liabilities | (4.974) | (381) | (2) |
| **13. Current liabilities (10+11+12)** | **(57.441)** | **(2.814)** | **(1.425)** |
| 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)** | **(57.441)** | **(2.814)** | **(1.425)** |
| **19. Net asset/ (liability) position of off-statement derivative instruments (19a-19b)** | **88.249** | **2.036** | **4.211** |
| **19a. Off-balance sheet derivative assets** | **88.249** | **2.036** | **4.211** |
| **19b.Off-balance sheet derivative liabilities** | **--** | **--** | **--** |
| **20. Net position of foreign currency asset / (liability) (9+18+19)** | **109.255** | **3.836** | **4.051** |
| **21. Net position of monetary foreign currency asset / (liability) (TFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)** | **24.918** | **2.100** | **(159)** |
| **22. Total fair value of foreign currency hedge** | **575** | **(69)** | **100** |

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

## NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### b) Financial risk factors (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** | **31 December 2022** | | **31 December 2022** | |
|---|---|---|---|---|
| | 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 | (14.974) | 14.974 | (14.974) | 14.974 |
| 2- Amount hedged for USD risk (-) | -- | -- | (6.825) | 6.825 |
| **3- USD net effect (1 +2)** | **(14.974)** | **14.974** | **(21.799)** | **21.799** |
| In case 10% appreciation of EUR against TL | | | | |
| 4 - EUR net assets/liabilities | 134 | (134) | 134 | (134) |
| 5 - Amount hedged for EUR risk (-) | -- | -- | (2.828) | 2.828 |
| **6- EUR net effect (4+5)** | **134** | **(134)** | **(2.694)** | **2.694** |
| 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)** | **(14.840)** | **14.840** | **(24.493)** | **24.493** |

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

## NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### b) Financial risk factors (continued)

### Foreign currency risk (continued)

| **Foreign Currency Sensitivity Table** | **31 December 2021** | | **31 December 2021** | |
|---|---|---|---|---|
| | 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 | 2.336 | (2.336) | 2.336 | (2.336) |
| 2- Amount hedged for USD risk (-) | -- | -- | 2.642 | (2.642) |
| **3- USD net effect (1 +2)** | **2.336** | **(2.336)** | **4.978** | **(4.978)** |
| In case 10% appreciation of EUR against TL | | | | |
| 4 - EUR net assets/liabilities | (235) | 235 | (235) | 235 |
| 5 - Amount hedged for EUR risk (-) | -- | -- | 6.183 | (6.183) |
| **6- EUR net effect (4+5)** | **(235)** | **235** | **5.948** | **(5.948)** |
| In case 10% appreciation of other currency against TL | | | | |
| 7- Net assets/liabilities in other foreign currency | -- | -- | -- | -- |
| 8- Amount hedged for other currency risk (-) | -- | -- | -- | -- |
| **9- Other currency assets net effect (7+8)** | **--** | **--** | **--** | **--** |
| **TOTAL (3+6+9)** | **2.101** | **(2.101)** | **10.926** | **(10.926)** |

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

## NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

As at 31 December, fair value and carrying amounts of assets and liabilities are shown in the table below:

| **31 December 2022** | **Financial assets at amortized cost** | **Financial assets and liabilities measured by reflecting FV difference in other comprehensive income** | **Financial liabilities at amortised cost** | **Book value** | *Note* |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 1.604.179 | -- | -- | 1.604.179 | *5* |
| Trade receivables (including due from related parties) | 441.042 | -- | -- | 441.042 | *7* |
| Other receivables (including due from related parties) | 816 | -- | -- | 816 | *8* |
| | | | | | |
| **Financial Liabilities** | | | | | |
| Short-term bank loans | -- | -- | 202.260 | 202.260 | *6* |
| Lease liabilities (including due from related parties) | -- | -- | 417.699 | 417.699 | *6* |
| Trade payables (including due from related parties) | -- | -- | 4.560.737 | 4.560.737 | *7* |
| Other payables | -- | -- | 7.511 | 7.511 | *8* |
| Derivatives | -- | 2.613 | -- | 2.613 | *25* |

| **31 December 2021** | **Financial assets at amortized cost** | **Financial assets and liabilities measured by reflecting FV difference in other comprehensive income** | **Financial liabilities at amortised cost** | **Book value** | *Note* |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 709.408 | -- | -- | 709.408 | *5* |
| Trade receivables (including due from related parties) | 155.925 | -- | -- | 155.925 | *7* |
| Other receivables (including due from related parties) | 612 | -- | -- | 612 | *8* |
| Derivatives | -- | 575 | -- | 575 | *25* |
| | | | | | |
| **Financial Liabilities** | | | | | |
| Lease liabilities (including due from related parties) | -- | -- | 209.133 | 209.133 | *6* |
| Trade payables (including due from related parties) | -- | -- | 2.428.265 | 2.428.265 | *7* |
| Other payables | -- | -- | 5.153 | 5.153 | *8* |

The Company management assumes that the carrying values of the financial assets and liabilities are close to their fair value because of their short-term nature.

## NOTE 30 - EVENTS AFTER THE REPORTING PERIOD

Due to the negative conditions caused by the earthquakes that took place in Kahramanmaraş on 6 February 2023, affecting many of our cities and devistating our whole country, it was decided to declare a state of emergency for three months in Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye, Şanlıurfa and Elazığ which was declared in the Official Gazette numbered 32098, dated 8 February 2023.

Because of the fact that the economic effects in the cities that affected by the earthquake is uncertain within the scope of reporting date, the operations of the relevant company and its' effects on financial statements is not evaluated as clear.

After the balance sheet date, the company opened its Beylikdüzü Anpa Gross store in Istanbul in 26 January 2023. As a result of this opening, the retail sales area of the related company increased by 760 square meters.