Teknosa of the New Generation

TEKNOSA

Annual Report 2019

Agenda of the 2019 Ordinary General Assembly

**TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
THE AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING FOR 2019
TO BE HELD ON MARCH 25, 2020**

1. Opening and formation of the Meeting Council,
2. Reading and discussion of the 2019 Annual Report of the Board of Directors,
3. Reading of the Auditor's Reports for 2019,
4. Reading, discussion and approval of the 2019 financial statements,
5. Releasing the Board of Directors from liability for activities in 2019,
6. Determination of the use of 2019 profits/losses
7. Determination of the remuneration for members of the Board of Directors,
8. Presenting the members elected to the Board's vacant positions in 2019 to the General Assembly for approval,
9. Selection of the auditor,
10. Informing the General Assembly on the Company's donations and grants in 2019,
11. Determination of an upper limit for donations in 2020,
12. Informing the General Assembly on the administrative fine imposed by the Capital Markets Board dated May 31, 2019,
13. Granting permission to the Chairman and members of the Board of Directors for the activities under Articles 395 and 396 of the Turkish Commercial Code,
14. Wishes and Requests.

Contents

As a leading technology retailer in Turkey, we accelerated the Transformation Program for the "Teknosa of the New Generation" to achieve optimal customer experience and operational excellency, while shaping the future together with our employees and stakeholders.

Teknosa at a Glance

Teknosa makes difference with its customer-centric approach, service quality, and innovations.

Since its establishment, Teknosa remains the leading technology retail company in Turkey with its large-scale presence, quality of service and innovative approach. The Company offers its customers technology products for the most affordable prices, with the best service quality possible.

With 200 stores in 68 provinces across Turkey, along with teknosa.com and mobile platforms, Teknosa facilitates access to technology. The Company's shares have been traded on Borsa Istanbul (BIST) since 2012.

Driven by its philosophy "Technology for Everyone," Teknosa offers seamless service with 200 stores as of the end of 2019, teknosa.com and mobile apps on omnichannel platforms.

68
Provinces with Teknosa Presence

105 thousand m²
Store Area

200
Stores

2,270
Employees

Teknosa works at full throttle for the Teknosa of the future that creates further value for all its stakeholders.

Teknosa in Brief

Teknosa embraces digital transformation from its supply chain to delivery to end consumers and after-sales and has adopted a data-driven management culture. Therefore, the Company prioritizes CRM and data analytics efforts.

Teknosa İç ve Dış Ticaret A.Ş. was established in 2000 under the umbrella of Sabancı Holding. Driven by the philosophy of "Technology for Everyone," the Company aims to stand by customers anytime, anywhere, make their access to technology easier and offer a pleasurable shopping experience.

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

The operations of Teknosa are evaluated under two groups: Retail/e-commerce and its dealer network. Teknosa stores and online channels provide the retailing of consumer electronics, imaging, information technology,

telecom products and household appliances, in addition to operations in the air conditioning sector with İklimsa, its retailer group brand.

As part of its omnichannel strategy, Teknosa delivers a range of innovative services and applications to provide customers with seamless services across all channels and strengthen its identity as a service provider beyond its products. Always aiming to add value to its customers' lives, Teknosa continues to further deepen its innovative initiatives.

The Company embraces digital transformation from its supply chain to delivery to end consumers and after-sales and has adopted a data-driven management culture. Therefore, the Company prioritizes CRM and data analytics efforts.

Speeding up the transformation process for best customer experience and operational excellency, Teknosa works at full speed for the Teknosa of the future that creates further value for all its stakeholders.

Developments and Results in 2019

The Consumer Electronics Market comprises five sales channels: Chain Stores, Traditional Channel, Computer Shops, Telecom Dealers and Technology Superstores (TSS).

Teknosa in Brief

Having concluded 2019 with a turnover of TL 4.1 billion, Teknosa invested around TL 39 million in infrastructure and customer outreach channels, online channels in particular.

As per the results in 2019, TSS – a category in which Teknosa also operates – has a 22.3% share on the consumer electronics market. Teknosa's share in the TSS sales channel amounted to 30% in 2019.

The Regulation Amending the Regulation on Bank Cards and Credit Cards, and the Regulation Amending the Regulation on Banks' Loan Transactions, published in 2019 in the Official Gazette, introduced a series of changes to the statutory installment periods in various product categories, which had an impact on consumer demand.

According to the Technology Retail Panel Study conducted by independent research institute GFK, the total size of the consumer electronics market – including White Goods and Small Home Appliances – was TL 65 billion in 2019. This represented a 10% increase compared to 2018.

A closer look at the details of product categories in the Consumer Electronics market reveals that the Small Home Appliances segment, with 20.8%, is the fastest growing. This segment is followed by Large Domestic Appliances with 18.5% (including air conditioners), Consumer Electronics with 4.7%, Information Technologies with 4.4%, and Telecom with 4.1%.

Teknosa concluded 2019 with a turnover of TL 4.1 billion, EBITDA of TL 317 million and net loss of TL 149 million. Furthermore, the Company invested around TL 39 million in infrastructure and customer outreach channels. Teknosa.com sales reached TL 284 million and the share of online sales in the turnover of total merchandise rose to 7%.

In parallel with the hike in our financial performance in 2019 Q4, our goal is to attain 15% to 30% growth in turnover by the end of 2020 and positive results in net profits. These objectives may vary depending on changing consumer confidence and constraints in the global supply chain. Our goals will be updated as necessary, in light of the quarterly results.

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

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

Mission
To always generate exceptional customer experience with its wide spread sales channels, a diverse portfolio of high quality products and superior services.

Culture and Values
As a pioneer of innovation, Teknosa is a young company that puts customer and stakeholder needs and requirements at the heart of its operations, promotes different opinions, values broad participation in decisions, considers mistakes an improvement opportunity, and focuses on creating sustainable

value. Sincerity, continuous development, inclusion, courage and passion are Teknosa's core values.

Quality Policy

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

Complaint Management Policy

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

Milestones



2000
Teknosa launched operations with five retail stores.

2003
The www.teknosa.com website was launched.

2005
Teknosa Academy was established.

2006
The "Scientific Retailing Program" was initiated for operational efficiency and infrastructure projects.

Dealership operations in air conditioning sector were organized under İklimsa brand.

E-learning program was started.

2007
The Gebze Logistics Center commenced operations.

Five stores in Turkey belonging to the German consumer electronics retailer Electronic Partner were acquired.

Two music stores of Uzelli in Turkey were acquired.

After-sales and product exchange/return services were made available to customers for the first time in Turkey.

2009
"Extra" stores were opened.

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

2011
The Turkish operations of the American electronics retailer Best Buy were acquired.

2012
Company's shares began trading on the Istanbul Stock Exchange (BIST) on May 17, 2012.

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

2014
Click & Collect was initiated.

Teknosa started to offer alternative financing options to customers with TeknoFinans.

2015
With Teknosacell, Teknosa became the first and only technology retail company in Turkey to provide mobile communication and line services.

Teknosa Preo-branded special products were introduced to the market.

2016
Installment sales options for mobile devices were made available with Teknosacell.

Teknosa's Preo-branded product range was expanded. Sales of new accessories and products (gaming, accessories, VR, drone) began.

2017
The corporate social responsibility project, Technology for Women, celebrated its 10th anniversary.

2018
The teknosa.com infrastructure and interface were renewed.

A new CRM platform was created.

Turkey's first "Satisfaction Guaranteed Return" practice was launched.

Technology products leasing services for SMEs were initiated.

2019
Transformation Program for the Teknosa of the New Generation was launched.

Small home appliances and new accessories were included in the Preo product family.

Main Competitive Advantages

Teknosa is by far the most widespread technology retail chain of Turkey, offering a seamless and integrated shopping experience through a broad network of stores, teknosa.com and mobile platforms.

Having introduced to consumers the concept of technology markets in Turkey, Teknosa is by far the most widespread technology retail chain of Turkey, owing to a broad network of stores. Thanks to significant infrastructure investments, the Company became a reference point in the retail sector and in digital channels, developing a sector model that has drawn global attention. Today, Teknosa shapes the sector, with its efforts in designing distinctive business models and special services alongside a focus on sector transformation and the omnichannel model.

The "Playmaker" of the Sector
The Company remains the playmaker of the sector as it creates the best product mix with the best channel structure in line with consumer needs, continuously invests in its brands and employees, develops innovative services aimed at customer satisfaction, and takes bold steps.

The Pioneer of Omnichannel in Technology Retailing
Teknosa provides customers with a seamless and integrated shopping experience through its stores, teknosa.com and mobile platform, while enhancing investments to deepen the omnichannel, which was pioneered by the Company.

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

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

Teknosa boosts customer satisfaction through rapid and high quality omnichannel services.

After-Sales Services

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

The Teknosa Call Center targets customer satisfaction by meticulously analyzing the entire retail process in order to meet every information need of customers. Customers are able to access stores' contact details, products in the process service actions, and whether or not a product is in stock, through the automated voice response system, without waiting for a customer representative at the Call Center. Teknosa consistently improves its call center services wherever possible so that customers can complete their transactions faster.

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

At service points opened in select stores in 2019, all mobile devices – i.e. notebooks, phones, tablets – are eligible for servicing and 360° device cases, regardless of whether they were purchased at Teknosa. Affordable and optional services are also offered to customers for all out-of-warranty mobile devices.

Main Competitive Advantages

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

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

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

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

Teknosacell

Teknosa continues to operate as a one-stop-shop for technology and provides mobile communication services with Teknosacell, a first in the sector. The Company meets customers' communication and technology needs at a single point through Teknosacell, offering generous Internet packages and exclusive benefits. The Company also launched pre-paid line sales as of April 2018 and diversified its product portfolio in mobile communication. Teknosacell has also gained momentum with Buy Back services and increased the number of subscribers. The brand continues to operate in this area, providing customers with different services and advantages.

Teknosa Preo

Launched in 2015 as an own-brand, Preo now features more than 600 products in its range as of 2019 and is the most comprehensive private label brand in the sector. Under the Preo brand, Teknosa continues to provide customers with small home appliances, personal care products, gaming accessories, wearables, smart accessories and the latest technologies. Teknosa will continue to diversify its Preo products in line with customer demand.

TeknoFinans

Under the TeknoFinans brand, Teknosa provides its customers with consumer finance alternatives, ING Teknokredi and Akbank AKON, to facilitate their access to various products. Over one million customers have utilized this service from the day it was launched through the end of 2019. Through the Yapı Kredi Shopping Loan and ING Shopper programs, installment shopping options were launched for purchases at teknosa.com. Consumers are able to take out loans, either at the store or on online platforms, quickly, easily and with compelling interest rates, enjoying up to 60 months of installments.

Teknosa Academy

Teknosa places great importance on training its employees to make them highly qualified experts in order to maximize customer and employee satisfaction. Founded in 2005, Teknosa Academy was the first academy in technology retailing in Turkey. Providing employees training and development opportunities through various programs, Teknosa Academy, which 2005 people graduated from, guides them on their career paths. Teknosa carries out programs to provide all employees with equal training opportunities at the Academy, and to ensure continuous education in line with the rapid advances in technology. 17,168 people have graduated from the Academy up to now.

Teknosa Academy operates on a blended learning model. The Academy provides employees with learning and development opportunities through teknosaakademi.com, technology infrastructure and user experience features involving changing user behavior and access to information.

In addition to the in-class courses of Teknosa Academy, employees benefit from learning and development opportunities based on five digital means. "teknosaakademi.com" is the main platform which encapsulates all models: Providing e-learning, e-testing and survey services, the platform is composed of Teknosa Learning Management System (LMS); the video-based learning platform TeknoTube;

Main Competitive Advantages

As of 2019, the Teknosa has a sales area of 105 thousand m^2 and a warehouse covering 30 thousand m^2 of closed space.

TeknoBlog, providing employees with interactive communication opportunities and fostering synergies; E-orientation and retail, a reference guide for newly-recruited employees; and TeknoSözlük (TeknoDictionary) for the meanings of internal terms and abbreviations.

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

Furthermore, foreign language education and graduate degree support are provided to support employees' personal development.

Strong Logistics Infrastructure
Teknosa continues its investments in order to establish a powerful logistics infrastructure and maximize the efficient use of information technologies. As of 2019, the Company has a sales area of 105 thousand m^2 and a warehouse covering 30 thousand m^2 of closed space. Boasting the largest logistics center in its sector, Teknosa handles all logistics operations from its dedicated logistics center at Gebze. Operations of this center, remotely connected to all stores, are managed with the support of information systems.

İklimsa
İklimsa, which has leveraged the accumulated experience of Sabancı Holding for 35 years, positions itself as "Turkey's Air Conditioning Center." Mitsubishi Heavy Industries, Sigma (private label), GE Appliances, and Sharp and Samsung air conditioners, as well as Sharp refrigerators, are available at İklimsa, offering customers the world's leading brands at its select points.

Gathering five brands and around 200 models under its umbrella, İklimsa spans Turkey with 200 authorized dealers in 46 provinces,

in addition to 267 air-conditioning service centers in 69 provinces, and 155 white goods service centers in 66 provinces.

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

Corporate Sales

Teknosa restructured its corporate sales organization to address organizations' technology needs, and now provides corporate sales services both at its stores and at İklimsa centers. Accordingly, all enterprises can now procure technology products at exclusive price benefits and take advantage of leasing opportunities at the time of their purchase.

Developments in 2019

Transformation Program for the Teknosa of the New Generation was launched in the second half of 2019.

Pursuing operational excellency, Teknosa continued to conduct analytics on dynamic pricing, stock optimization and supply chain optimization, while focusing on boosting sales efficiency.

Intensifying digitalization investments to provide customers with a seamless, faster and more pleasurable shopping experience on all channels, Teknosa facilitated full integration with online and offline channels and improved processes. The Company also continued to introduce practices and services so that customers can experience products more comfortably in the stores.

Transformation Program for the Teknosa of the New Generation was Launched in the Second Half of 2019

Teknosa launched the Transformation Program for the Teknosa of the New Generation, geared towards a sustainable brand that creates further value for stakeholders, boasts a solid financial structure, and looks into the future with confidence.

Under the Transformation Program, the Company has undergone a comprehensive transformation period in numerous areas, from store and sales staff efficiency and category management to supply chain and spending efficiency. In parallel with sustainability and profitability goals, Teknosa was restructured in numerous areas, from the provision of the right products at the right prices and at the right store, to the improvement of field operations, the efficiency of sales staff, and promotion management. Through such projects, the Company has clearly and directly increased the value it generates.

In 2019, Teknosa took transformation steps and adopted the optimal measures despite rough market conditions, making investments and creating value continuously. The Company will continue with its Transformation Program at full speed in 2020, creating win-win models with suppliers, enhancing customer experience and operational efficiency, and placing further emphasis on profitability.

E-Commerce

In line with e-commerce growth trends, the omnichannel strategy – which transforms stores into an experiential space integrated

with digital platforms – is key to growth. Teknosa maintained its focus on the omnichannel operations again in 2019, continuing to take actions for the future of e-commerce and mobile commerce. Teknosa.com was migrated to the SAP Hybris E-commerce Cloud, one of the best e-commerce platforms in the world, at the end of 2018. Activities to improve the performance of the website continued in 2019.

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

The Company now offers online shopping credit and fast delivery options on the website and speeds up the delivery process by shipping up to 50% of e-commerce purchases from the stores. Additionally, direct delivery of goods from supplier stocks to customers has been implemented.

In 2019, teknosa.com attained a 7% share in turnover.

Developments in 2019

In 2019, teknosa.com attained a 7% share in turnover.

CRM and Data Analytics

Teknosa continued to strengthen its omnichannel infrastructure and services and deployed a new CRM program in 2018 to guarantee a better shopping experience for customers. The infrastructure was moved to Microsoft Dynamics, and the customer data retained by online and offline channels and the call centers – another contact point for customers – was individualized, while efforts to enhance data were undertaken. The new CRM platform also strengthened campaign management capabilities utilizing customer segmentation.

In 2019, new efforts were initiated to analyze data and optimize customer experience via the use of AI algorithms. As of the end of 2019, Teknosa holds the data of over 16 million individual customers and plans to develop data-driven services and projects in the coming period.

Data analytics create business value by improving customer experience and operational efficiency; the practice also support efforts to provide consumers with the right product mix, in the right location and at the right time. In addition, data analytics enhance the efficiency of stores, optimize dynamic pricing, stocks and costs, and help achieve turnover and profitability goals.

Awards and Achievements in 2019

- First prize in the Technology Retail and Anchor Store categories according to results from the survey, "Consumers' Number One Brand at Shopping Malls," conducted by the Shopping Centers and Investors Association.
- "Best Omnichannel Experience Inventor" with the Everest Project at the IDC Turkey Digital Transformation Awards

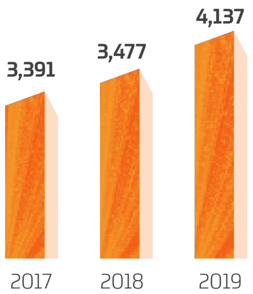
Teknosa was once again selected by consumers as the “Most-Liked Technology Market.”

- IDC Turkey CIO Awards - recognized in the Customer Experience category with Everest, the Road to the Zenith
- Most Preferred Companies Survey by Realta Consulting, 3İK and Pinaps - Third prize in the Retail Sector
- Marketing Türkiye and BoomSonar Social Media Awards - Gold Award in the Technology Markets category, Bronze Award in the Page and Community Management category
- “Respect for Human” Award by Kariyer.net
- Teknosa ranked among the top 36 companies in the Reputation Management Survey conducted by Turkey’s Reputation League
- Turkey’s Reputation Index Survey - The Most Reputable Company in Technology Retail
- Technology Sector Consumer Behavior survey by Zenna Research and Consulting - “Technology Store with the Highest Shopping Volume”/“Brand with the Highest Score” in terms of brand visibility and recognition
- The Marketing Türkiye and Akademetre ECHO Awards - the “Brand Offering the Best E-Commerce Experience”
- Marketing Türkiye Cool Brands Survey - “Coolest Technology Market of Turkey”
- IDC Digital Retail Technology Awards - recognized in the Big Data & Analytics category for the retail sector
- The Speedy Actors of Retail, by Capital Magazine - “Turkey’s Largest Technology Retail Company by the Number of Stores”

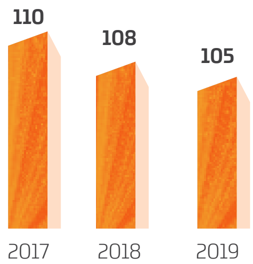
Key Financial and Operational Indicators

Teknosa increased net sales by 19% to TL 4.1 billion in 2019.

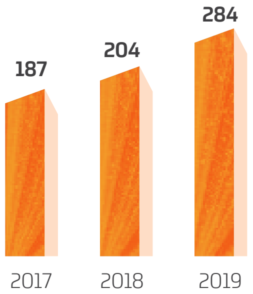
Net Sales (TL Million)



Sales Area (Thousand m^2)



E-Commerce Sales (TL Million)



Placing importance on digitalization, Teknosa increased e-commerce sales to TL 284 million in 2019.

Financial Indicators (TL Million)	**2017**	**2018**	**2019**
Net Sales	3,391	3,477	4,137
Total Assets	727	760	1,513
Total Equity	-43	-103	-252
EBITDA	173	158	317
Net Profit/(Loss)	20	-65	-149

Operational Indicators	**2017**	**2018**	**2019**
Sales Area (Thousand m^2)	110	108	105
Number of Stores	204	205	200
teknosa.com Sales (TL Million)	187	204	284

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

Message from the Chairman of the Board of Directors

Teknosa grew two times more than the market in 2019.

Esteemed Shareholders,

Consistently improving its performance in 2019 through transformation and digitalization programs, Teknosa welcomes 2020 and its 20th anniversary with a stronger structure.

In 2019, macroeconomic indicators pointed to a challenging environment across many industries – including technology retail, where we have operations.

According to the "World Economic Situation and Prospects 2020" report by the United Nations, global growth slowed down due to trade wars, Brexit, and escalating tensions across various parts of the world and uncertainties in international policies.

In Turkey, growth dynamics remained weak, especially in the first half of the year, under the impact of the global conjuncture, elections and tensions in the region. We witnessed 2.3% and 1.6% shrinkage in the first and second quarters, respectively. In the second half of the year, the economy started to recover, due to the steps by the economic administration and the base effect. Exchange rates with a more stable outlook, and the downward trend in inflation in the aftermath of interest rate cuts, stimulated the domestic market. Consequently, growth, which demonstrated an uptick as of Q3, is expected to continue progressively.

In parallel with other sectors, the consumer electronics market faced slower demand, particularly in the first half of 2019, due to the economic outlook. In the first half of 2019, the market growth in Turkish lira remained at 4%. Aside from White Goods, Small Home Appliances and Air Conditioners, all categories contracted. After September, there was a jump in sales on a monthly basis, compared to the previous year. On an annual basis, though, the market grew by 10%, reaching a turnover of TL 65 billion.

Our Company grew two times more than the market in 2019, which was marked by lower consumer trust and demand, and concluded it with a turnover of TL 4.1 billion. Under the market conditions described above,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Message from the Chairman of the Board of Directors

In 2019, we continued our omnichannel and digitalization investments intensively, to optimize the anytime-anywhere shopping experience.

this growth was particularly meaningful in that it was triggered by higher average shopping carts and a greater number of customers, as well as higher like-for-like sales calculated.

We accelerated our transformation and are now reaping the fruits of our efforts.
As the young, technological and dynamic face of our Group, Teknosa focuses on innovating and preparing our business for the future. In this context, we have intensified efforts on our transformation to achieve optimal customer experience and operational excellence.

From its first moment of operation, Teknosa has been receptive to customer feedback, striving to understand customers while analyzing their needs and addressing them promptly. In the past few years, we have placed data – now in an entirely new dimension driven by digitalization – along with artificial intelligence and machine learning, at the heart of our operations. Advanced analytics help us focus on customers' preferences and shopping journeys, to offer the products and services they need in the best way possible.

We improve our processes and introduce new practices accordingly.

In 2019, we continued our intensive omnichannel and digitalization investments towards optimizing the shopping experience anytime, anywhere. As a result of these investments, we achieved higher performance in merchandising operations and 40% growth on teknosa.com, our e-commerce platform, which, following the platform's renewal at the end of 2018, is now much faster and better integrated with our stores.

We aim to maintain and further advance this improvement in our operational results.
In the second half of 2019, we launched the Transformation Program for the Teknosa of the New Generation. We developed a clear roadmap and undertook intensive efforts for Teknosa that creates further value for stakeholders, boasts a solid financial structure, and offers a bright future. We saw rapid gains through actions we took in almost every field and enjoyed the first effects of the Transformation Program. As we strengthen the customer experience during

this journey of transformation, we are pursuing sustainability and profitability; and therefore restructuring our Company in numerous fields, including product availability, inventory management, field operations, promotion management, and spending efficiency. Our objective for 2020 is to achieve a long-lasting effect with our gains in 2019 and maintain the momentum and the rapid advances in our performance.

Having introduced the concept of technology markets to Turkey, Teknosa is ready to carry its 20-year-long success story into the future. This ongoing Teknosa story has many elements: Doing the right thing at the right time, and focusing on customer satisfaction in everything it does; possessing courage, and taking risks while introducing innovations; implementing actions that shape the industry, and boasting long-lasting relations with business partners are among them. At the base of all these activities is the strong sense of trust that Teknosa builds across stakeholders and the faith that the Company has in Turkey. Mutual trust is a key motivation for us in planning our future.

Customers today place even greater importance on the shopping experience. They build strong relations with brands, and have the power to impact brand perception by sharing both positive and negative experiences on social media. Our plan for 2020 is to accelerate and continue with our investments towards providing our customers with the best technology experience and the most extensive services. Our core priority is to remain the industry's "number one" for our customers.

In technology transformation, we will continue to be the destination for individuals and corporations alike.

Digitalization offers us the opportunity to transform the potential of our young and dynamic population into new assets. The need for technology products will soar in Turkey. We are privileged to have an enviable group of customers – young, dynamic and tech-savvy. We will therefore maintain our efforts, with all our strength, to make technology accessible and available for everyone and contribute to Turkey's digitalization drive.

We anticipate that 2020 will proceed more positively than 2019. Our activities under the Transformation Program will continue, and we are also expecting to see positive impacts from the macroeconomic indicators signaling recovery, despite geopolitical risks in the second half of 2019.

We have developed our plans for the period ahead in a manner to shape technology retailing for the new generation and advance the value we create for stakeholders. Our aim is to maintain the Company's long-standing position as a pioneer, tapping into its brand value, its financial strength, and its expert and energetic team.

The 20th anniversary represents Teknosa's pioneering position, know-how and outstanding skills in the industry, while also standing for its youthfulness and potential. This is the approach we adopt in building the future of the Company.

I wish a fruitful 2020 for our country and our Company, and I thank all our stakeholders for their contributions to Teknosa's success and growth on the path ahead.

Respectfully yours,

Barış Oran
Chairman of the Board of Directors

Board of Directors

Barış Oran
Chairman of the Board of Directors

Barış Oran is the CFO of Sabancı Holding. He started his career as an auditor at Price Waterhouse Coopers and from 1998 to 2003, worked at Sara Lee Corp in Chicago IL, in audit, finance and treasury/capital markets. Between 2003 and 2006, he worked as Senior Manager at Ernst and Young initially at Minneapolis, MN and then in Europe, Middle East, Africa and India regions. He started working at Kordsa Global in 2006, and held positions of Internal Audit Director, Global Finance Director and CFO respectively. Oran has started at Sabancı Holding in 2011.

He graduated from Boğaziçi University, Department of Business Administration, completed his MBA studies at the University of Georgia and Advanced Management Program at the Kellogg School of Management, Northwestern University.

Mr. Oran serves as the Chairman of the Board of Directors of Teknosa, Managing Director of SabancıDX and he is a member of the Board of Directors of Brisa, Çimsa, Carrefoursa, Enerjisa Enerji, Enerjisa Üretim and Philip Morris SA.

He is also a Member of the Board of TUSIAD.

Levent Demirağ
Vice Chairman

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

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

Fezal Okur Eskil
Board Member

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

Uğur Gülen
Board Member

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

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

Mevlüt Aydemir
Independent Board Member

Born in 1948 in Erzincan, Mevlüt Aydemir graduated from Istanbul University, Faculty of Economics.

Aydemir worked at the Public Accountant Boards for the Ministry of Finance as a Public Accountant between 1972 and 1981. He has carried out various functions at Sabancı Holding since 1981 and retired as Head of Financial Affairs and Finance in 2010. He has been a member of the Board of Directors and Auditor of Sabancı Holding group companies, as well as a member of the Corporate Governance, Audit and Finance Committee at Sabancı Holding. Mevlüt Aydemir is a member of various social institutions, and holds a Certified Public Accountant Certificate. Between 2010 and 2015, he served as a Board Member at Sabancı Holding. He retired from a Board of Directors Consultant position at Sabancı Holding in 2018.

Mehmet Kahya
Independent Board Member

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

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

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

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

Message from the General Manager

We invested TL 39 million in digitalization and transformation to guarantee the best customer experience in 2019.

Esteemed Shareholders,

We are now celebrating the 20th anniversary of our journey, which we embarked on to make technology accessible for everyone. In 2019, we have undertaken milestone projects geared towards digitalization and transformation to prepare Teknosa for its 20th year and many more decades to come.

Conversely, 2019 marked a rather challenging period for our industry. A low consumer confidence index, cost pressure due to exchange rates, and restrictions on consumer finance had a negative impact on the consumer electronics market, particularly in the first half of the year. Although seasonal tax support for white goods and household appliances, and adjustments for the credit card installment periods came as a relief in the sector, the growth remained in single digits. In the second half of the year, economic indicators improved and special occasion campaigns brought along stimulus, which paved the way for a jump in technology product sales. Consequently, the market grew by 10% YoY, attaining a volume of TL 65 billion.

Our Company delivered an above-the-market performance in 2019. Like-for-like sales increased by 21%, equaling a turnover of TL 4.1 billion. Owing to our 200 stores in 68 provinces, our online and mobile platforms, and an expert team of 2,270 people, we have remained the most widespread and accessible technology retailing chain. We have hosted some 200 million visitors on all our channels and offered over 10 million technology products to our customers.

We have reinforced our transformation and digitalization investments to guarantee a seamless, faster and more pleasurable shopping experience across all channels. Our investments totaled TL 39 million.

In the second half of 2019, we launched a major Transformation Program. Under the Transformation Program, Teknosa of the New Generation, we have undertaken extensive works across numerous fields that are critical for our performance. We have expanded our product availability and diversity. We reached a more effective level in our promotion management processes and utilized advanced data analytics to improve store


TEKNOSA
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Message from the General Manager

In 2019, we undertook milestone projects geared towards digitalization and transformation to prepare Teknosa for its 20th year and many more decades to come.

performance and provide the right product at the right location and with the right prices. We improved our capacity to serve our customers better in accessories and peripherals, and therefore made customers' shopping carts more valuable. We boosted the productivity of our sales forces to provide better in-store services for our customers. We also improved our spending efficiency with these actions. Conducted under the Program, all these activities have started to reap rapid results. We succeeded in improving our performance significantly, especially in the last quarter of the year.

We continued to improve teknosa.com, an indispensable part of our integrated omnichannel strategy. In 2019, the turnover of teknosa.com increased by 40% to TL 284 million. Running on one of the world's best e-commerce platforms as of 2018, teknosa.com remained a standout in the sector due to services and options such as in-store pick-up following the day of online payment, fast delivery regardless of the point of sale, and convenient product return/exchange processes.

We conducted renovation activities at our stores in several areas, including infrastructure, energy utilization, product availability and experience fields. Offering a more seamless shopping experience, we increased our net promoter scores on all channels compared to the previous year.

We utilized AI algorithms for data analytics and intensified efforts aimed at improving customer experience and efficiency. We are now able to segment data from over 16 million single customers by value and behavior, and are also capable of advanced content and process management in line with customers' brand preferences and shopping journeys.

We have introduced many firsts and innovations in the industry since the day we were established. Our greatest gain in this period is the heartfelt bond we have with our customers and the trust they feel for us; as a part of the Sabancı Group, we adopt a customer-centric approach, and provide distinctive services. Being a trusted and popular brand has solidified our commitment to creating ideas for our business.

In addition to the introduction of the after-sales service across the industry, we remain a pioneer in this field. Teknosacell, the first and only mobile communication and cell service in Turkey's technology retail sector; Dr. Teknolog, composed of a wide range of technology services from installation and technical support to protection; and TeknoGaranti, which offers an extended warranty on top of the manufacturer warranty to boost customer satisfaction, are all among the hallmarks of Teknosa. We continuously enhance these services to create further value for customers.

We have also launched the "Satisfaction Guaranteed Return" as a first in the sector. We enable customers to exchange certain product groups such as TVs, monitors, notebooks and tablets within 30 days of purchase. Furthermore, at the service points opened in select stores in 2019, all mobile devices – i.e. notebooks, phones, tablets – are eligible for servicing and 360° device case services, regardless of whether they were purchased at Teknosa.

Our own brand Preo, which is now the broadest 'private label' initiative in the sector, remained an attractive alternative with more than 600 products for technology enthusiasts who wish to have new, high-quality technologies at affordable prices. In 2019, we offered customers over two million Preo-branded products.

We restructured our corporate sales organization, set out to address corporations' technology requirements, and started to offer corporate sales services at our stores. We are able to provide a wide range of products and alternative payment systems including leasing options to corporations.

While offering hundreds of global brands and thousands of technology products, our priority is to serve our customers as a solution partner that transforms their shopping journey into a seamless, pleasurable and exclusive experience. We continuously strive to offer more benefits through technology.

In addition to improving our operations and performance, we also worked at full speed to create value for society as a good corporate citizen in 2019. We took steps for environmentally sensitive and saving-oriented resource management in our stores and offices.

Within the scope of the "Technology for Women" project launched in 2007, we supported the digital literacy of 2,000 women with limited access to computers and the Internet in 2019. In total, we reached 18,000 women across 66 provinces through our courses. Undertaking to ensure gender equality, we supported the Yanındayız Association, established with the participation of men.

As a young brand inspired by youth, we became a sponsor on various platforms to encourage the leaders of the future to access technology and gain further experience. We provided technology support to the village schools in Anatolia and to the Creative Technologies Workshop established by Sabancı University in Küçükköy, Ayvalık.

We have written a story of sustainable success by consistently leveraging change, taking risks, making a difference, and embracing everybody.

Propelled by our faith in our country's potential, youth and technological transformation, we plan to increase our investments in 2020.

We have great prospects and goals in our 20th anniversary year. Our efforts under the Transformation Program for the Teknosa of the New Generation will continue within a holistic framework. Equipped with our energy, dedication and commitment, we are ready to carry our success story, written with the support of our stakeholders, to even greater heights in the future.

I thank all our employees, business partners, consumers and investors for their contributions to our rising performance in 2019, and I believe that we will enjoy many other achievements together. I wish a prosperous 2020 for our country and our Company.

Respectfully yours,

Bülent Gürcan
General Manager

Executive Committee

Bülent Gürcan
General Manager

Bülent Gürcan graduated from İstanbul Technical University, Department of Civil Engineering in 1988.

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

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

Ümit Kocagil
Assistant General Manager - Finance

Ümit Kocagil graduated from Marmara University, Department of Economics (English).

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

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

Önder Ömer Oğuzhan
Assistant General Manager - Marketing & Technology

Önder Oğuzhan graduated from Boğaziçi University Industrial Engineering in 1996 and completed his MBA at the University of Georgia.

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

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

Tansu Öztorun
Assistant General Manager - Retail & Dealer Sales and Operations

Tansu Öztorun graduated from İstanbul Technical University, Department of Mechanical Engineering and received his Master's degree from the Department of Mechanical Engineering at İstanbul University. Also, he completed International Business program in Istanbul University.

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

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

Doğa Oran
Assistant General Manager - Category Management and Supply Chain

Doğa Oran graduated from the Department of Economics, Middle East Technical University, in 1998. He obtained an Executive MBA from Sabancı University in 2002.

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

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

Ebru Anıldı
Human Resources Manager

Ebru Anıldı graduated from Hacettepe University's Statistics Department in 1995.

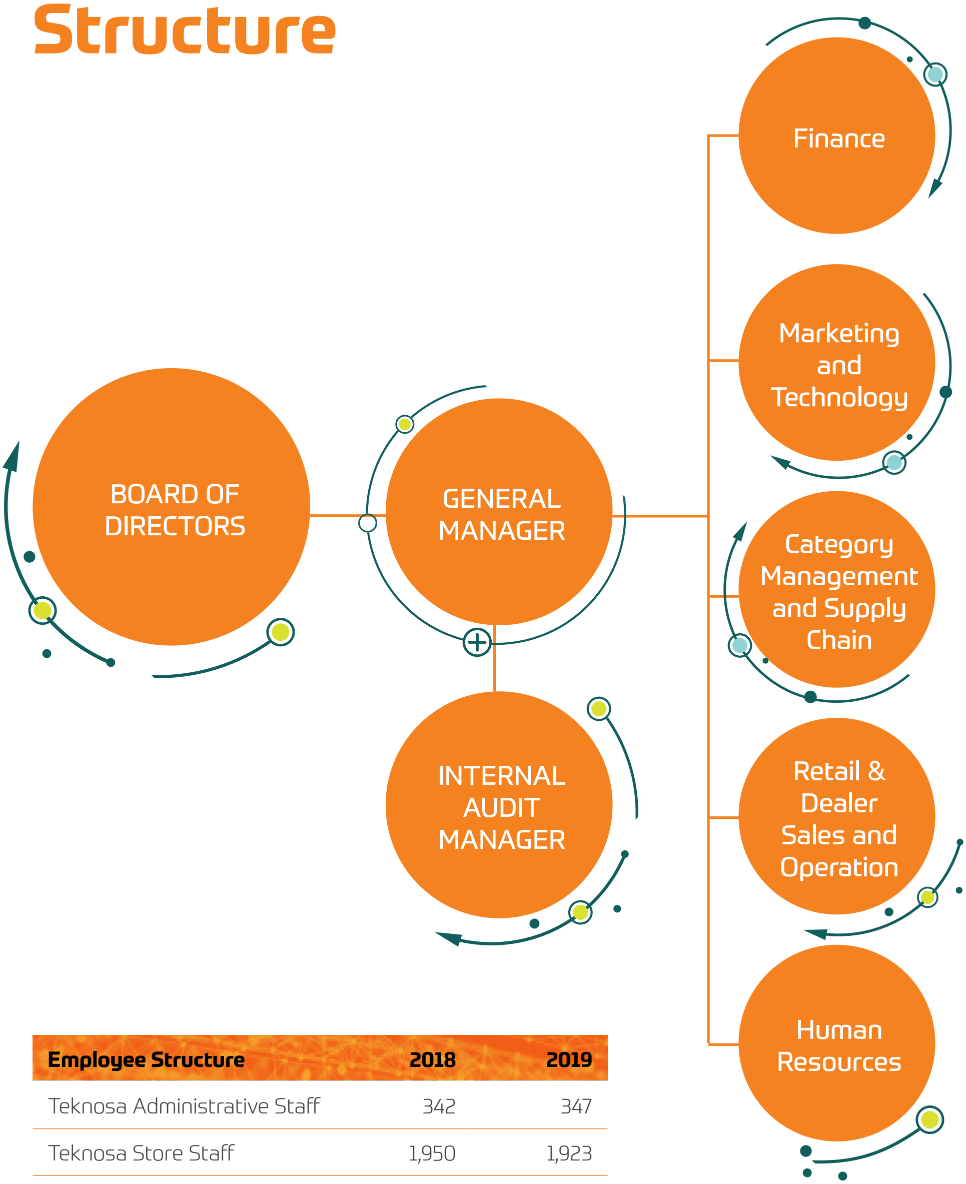
She began her career as a Software Support Specialist at Likom Yazılım in 1995. Later, she worked in human resources at Bayındır Holding between 1997 and 1999, and for the Uyar Group between 1999 and 2000. After working as Project Consultant at Hay Group, she worked for Sabancı Holding between 2002 and 2008 as Human Resources Specialist and subsequently worked for Teknosa as Compensation and Labor Relations Manager in between 2008 and 2016.

Since 2016, Anıldı has served as Human Resources Manager at Teknosa.

Executive Committee Members who retired from office within the period
Göksel Marangoz - Assistant General Manager of Information Technologies April 30, 2019

Ayşegül Bahçıvanoğlu - Assistant General Manager of Marketing August 19, 2019

Organizational Structure



Employee Structure	2018	2019
Teknosa Administrative Staff	342	347
Teknosa Store Staff	1,950	1,923
Total	**2,292**	**2,270**

Sustainability

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

In addition to its business operations, Teknosa is focused on creating value for today and the future as a good corporate citizen. In this framework, the Company takes steps to foster meaningful change within society across such areas as transparency, gender equality, environmental sensitivity and responsible use of resources. It is a priority for Teknosa to fulfill its responsibility for its employees, their families and other stakeholders, and to raise the living standards of the communities in which it operates.

Human Resources

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

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

Succession and Career Management

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

Recognition, Appreciation and Total Reward Management

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

Sustainability

JetApplication, the Digital Application Form and Chatbot are among the projects launched to digitalize Human Resources.

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

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

HR Data Analytics and Digitalization

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

Teknosa Support Team Project

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

Tekno Bulletin

Tekno Bulletin was launched in July 2019 to enhance internal communications and disseminate success stories and projects within the Company. Updates from Teknosa are e-mailed to employees two times a month.

Master's Degree Support

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

Teknosa Grants and Support for Education

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

Internal Trainers

Teknosa is committed to training highly qualified, expert employees to maximize customer and employee satisfaction. Therefore, in 2018, the Company introduced the Internal Trainers Program, composed of Teknosa employees regardless of their titles, for the purposes of keeping the continuous learning environment active and enabling an exchange of information and experience. As part of the Program, which has hosted 33 Internal Trainers to date, each trainer received an average of 51.2 hours of training and delivered over 13,000 hours of training to other employees, thus significantly contributing to the development of human resources.

Performance Management

Teknosa employees work on their individual business goals and competency development goals for a year in order to demonstrate their successful business results, commitment to

Sustainability

the corporate culture and values, and outstanding performance. At the end of the year, employees evaluate their performance with their manager and receive feedback.

Employer Brand

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

Organizational Climate and Employee Engagement Management

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

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

Labor Relations Management and Regulatory Compliance

Teknosa manages labor relations in accordance with applicable laws, regularly follows up relevant regulations, and makes use of all opportunities and incentives. The Company implements a zero-tolerance policy for discrimination based on language, race, color, gender, political opinion, faith, religion, denomination, age, physical disability or similar factors. Teknosa is committed to

providing a working environment where a work-life balance is guaranteed. The Company is also an equal opportunity employer that implements practices to encourage women, youth and the disabled to actively participate in working life. All necessary measures are taken under the Occupational Health and Safety policy against cases that may have a negative physical and psychological effect on employees.

Occupational Health and Safety

Employees are Teknosa's most precious asset in all its operations. Therefore, it is the top business priority of the Company to provide a safer and healthier working environment and minimize any loss that may occur. Complying with applicable laws and standards in occupational health and practices, the Company pursues continuous performance development. Teknosa analyzes the potential risk exposure of all activities undertaken and adopts a proactive approach to prevent these risks. At Teknosa, the occupational health and safety culture is an integral part of life.

Environment

In line with environmental sustainability efforts, Teknosa continues to work towards the efficient use of natural resources, energy efficiency, waste management and waste recycling.

The Company is aware of its responsibility as a leader in the industry; therefore, it continued to collect electronic waste, along with waste batteries and recyclable packaging, in 2019. It works together with local administrations and authorized bodies to address electronic wastes, packaging wastes and other types of waste.

Teknosa achieved significant energy savings through the environmentally friendly device conversion project conducted at the stores. In the first phase of this project, automation activities were launched at stores with high energy consumption. A system was developed in which lighting and screens were automatically turned on and off at desired times

Sustainability

Under Technology for Women, a project aimed at encouraging women to be active users of technology and active members of social and cultural life, 18,000 women in 66 cities have received free-of-charge digital literacy courses.

and the air-conditioning devices were automatically disabled when they reached pre-defined temperatures.

Corporate Social Responsibility

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

In order to raise awareness of social responsibility among employees, the Company undertakes voluntary activities with NGOs under the leadership of the Teknosa Volunteers Club and participates in Sabancı Volunteers projects.

Teknosa also delivers technology products to non-governmental organizations and schools in need of these products.

Technology for Women

Under the "Technology for Women" project initiated in 2007, Teknosa pursues gender equality through contributing to digital literacy among women in Turkey.

As part of the project, which aims to promote a more active role for women in social and cultural life as well as in technology use, 18,000 women in 66 cities were offered free-of-charge digital literacy courses. The courses include topics such as writing on a computer, navigating the internet, sending e-mails and using mobile devices and social media. Thus, these courses enable women to communicate with their children, grandchildren, and other family and friends, as well as interact with the world, access information about their areas of interest, and perform transactions that make life easier for them, such as online banking and shopping, in addition to using social media platforms efficiently for their jobs. In the furtherance of the project, the Company aims to introduce additional developments in line with women's needs.

Teknosa also supports the Yanındayız Foundation, which advocates gender equality, and is a member of the Lead Network, striving to increase female workforce participation and women leaders in the retail sector.

Sabancı University Creative Technologies Workshop

Teknosa provides technology support for Sabancı University's Creative Technologies Workshop in Küçükköy, which aims to raise individuals who are aware of the problems of the world, have the will and ability to find solutions, and that can achieve sustainable development.

Technology for Youth

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

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

Esports

Teknosa is among the leading brands supporting esports and young esports enthusiasts in Turkey. Since 2014, it has contributed to numerous events organized in this field and hosted esports enthusiasts in the events organized at its stores. In 2019, Teknosa became one of the sponsors for the Intel ESL Turkey championship, organized in İzmir.

Capital and Shareholding Structure

Teknosa's approved and issued share capital consists of 11,000,000,000 shares with a nominal value of 1 Kr each (December 31, 2018: 11,000,000,000).

As of December 31, 2019, Teknosa's capital structure consisted of the following:

Corporate Name/ Name-Surname	Capital Share (TL)	Capital Share (%)
Hacı Ömer Sabancı Holding A.Ş.	66,310,509.61	60.28
Dilek Sabancı	5,734,598.69	5.21
Other	37,954,891.70	34.51
Total	**110,000,000.00**	**100.00**

Other Information

Privileged Shares, Voting Rights

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

Information on The Company's Accruement of its Own Shares

Teknosa does not hold any accrued shares of its own.

Investment Costs

The Company has invested TL 39 million in its infrastructure and customer outreach channels, including online channels.

Risk Management and Internal Control System

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

The Risk Management Policy at Teknosa serves to define, assess, prioritize, monitor, and report the potential risks involved in Teknosa's operations, and also to governs the procedures and principles which will be adhered to during the process of defining and implementing the necessary measures and strategies against such risks.

Risk management is conducted by the Early Risk Detection Committee ("Committee") on behalf of the Board of Directors. The responsibilities of the Committee are given below:

- To establish a systematic "Risk Management Culture," and to integrate it into the corporate culture,
- To ensure that risks are effectively identified and managed,
- To provide that appropriate threshold values are identified for effective risk management, and the required infrastructure is set up,
- To ensure that investment decisions are taken in accordance with Teknosa's and Sabancı Holding's strategic business goals, and predefined "Risk-Taking Limits,"
- To ensure that Corporate Risk Management (CRM) system is a proactive process as an integral part of the corporate culture and a crucial part of Teknosa's processes.

Other Information

The Company has an Internal Control System in place. With the formation of the Audit Committee, it effectively carries out the duties assigned by the Board of Directors in compliance with the existing bylaws of the Audit Committee.

Donations and Aids Made by the Company During The Year

In 2019, Teknosa donated TL 73,429.30 in total to charitable organizations.

Remuneration of Board Members and Senior Management

Teknosa's senior management consist of general manager and assistant general managers. Senior management benefits include wages, bonuses, private pension, health insurance and life insurance. In the 12-month period ending as of December 31, 2019, total payment made to the senior management amounted to TL 4,575 thousand.

Structure and Operating Principles of Board of Directors

The provisions stipulated in the Company's Articles of Association are considered for the procedures and principles such as Teknosa Board of Directors' structure, duties, management rights and power of represent.

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

Minimum qualifications of the Members of the Board of Directors are not specified in the Articles of Association. However, the required qualifications of the Members of the Company's Board of Directors are in line with the relevant articles of CMB Corporate Governance Principles. Two members of the Board of Directors are independent members who are determined according to the Capital Markets Board's regulations on Corporate Governance Principles and Corporate Governance. Independence Statements of the Independent Members of the Board of Directors are available. Within the related activity period, there are no issues that terminate the independency.

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

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

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

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

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

The Board of Directors of the Company held four meetings between January 1 and December 31, 2019.

Committees Established under the Board of Directors

According to Teknosa Articles of Association, the Board of Directors establishes sufficient number of Committees ("Committee") in order to fulfill the tasks and responsibilities in a healthy manner. The "Nomination Committee" and the "Remuneration Committee" liabilities stipulated in Article 4.5.1 of the Communiqué are undertaken by the "Corporate Governance Committee." Moreover, although the Company pays special attention to comply with the provision of Article 4.5.5 of the Communique on "Members of the Board of Directors cannot assume duties in more than one Committee," since the Committee membership requires professional expertise, members of the Board of Directors can be a member in more than one Committee.

Corporate Governance Committee

Corporate Governance aims to maintain the continuity of the management process based on ethical values of Teknosa İç and Dış Tic. A.Ş., having internal and external responsibilities, risk awareness and that is transparent and responsible in its decisions, that oversees the benefits of the shareholders and that has sustainable success target.

The duty of this Committee is to make suggestions and recommendations to the Board with regard to establishing the Corporate Governance Principles in line with CMB's or other internationally recognized Corporate Governance Principles.

Corporate Governance Committee, including the Chairman, is composed of maximum three Members, and two Reporters appointed by the Teknosa Board of Directors in line with the CMB's "Corporate Governance Principles." The Chairman of the Corporate Governance Committee is appointed from among the independent members by the Teknosa Board of Directors.

Other Information

Should the position of President become vacant, the Chairman of the Board assigns one of the committee members as temporary President until the new President is appointed at the next Board meeting.

The Corporate Governance Committee ensures the implementation of the Corporate Governance Principles in the Company, and in case these principles are not implemented then the Committee makes suggestions to the Board of Directors for the improvement. The Committee pursues the activities of the Investor Relations Department. Besides the Board of Directors' and Executive Managers' performance and remuneration principles and assessments, the Committee submits the independent candidate member proposals – by evaluating the independency criteria of the candidates –, including the candidates nominated by the management and the shareholders, to the Board of Directors. In accordance with the legislation, the Independent Members of the Board of Directors present their independence statements in writing to the Corporate Governance Committee at the time they are nominated.

The Corporate Governance Committee convenes 4 times a year. The Committee convened 4 times in 2019.

With Teknosa Board of Directors' decision, the Corporate Governance Committee members were determined as follows:

Name Surname	Position	Nature of the Board of Directors Membership/Position
Mevlüt Aydemir	Chairman of Corporate Governance Committee	Independent Board Member
Mehmet Kahya	Member of Corporate Governance Committee	Independent Board Member
Ümit Kocagil	Member of Corporate Governance Committee	Teknosa Assistant General Manager - Finance

Early Risk Detection Committee

The Early Risk Detection Committee was established to be responsible and authorized referring to the Teknosa İç and Dış Ticaret A.Ş. Board of Directors' resolution and in accordance with the Article 378 of The Turkish Code of Commerce No. 6102 and the provisions of the Capital Markets Board's Communiqué on the Corporate Governance Principles.

The Committee performs activities with the aim of early detecting any risks such as strategic, operational, financial, compliance etc. that may jeopardize the existence, development and continuity of Teknosa, of taking necessary measures together with finding solutions and of managing the risk.

The Committee members are elected by the Company's Board of Directors and is disclosed to the public. The President of the Committee is appointed from among the independent members by the Board of Directors.

The Committee members are preferably elected from among the non-executive Members of the Board of Directors.

The Early Risk Detection Committee meetings are held at least six times a year, at a location deemed appropriate by the Committee. The Early Risk Detection Committee convened 6 times in 2019.

The annual meeting calendar is determined by the Chairman of the Committee and announced to all committee members at the beginning of each year. The term of office of the Committee members are in parallel to the term of office of the Members of the Company's Board of Directors. The Committee is re-established upon the election of the Members of the Board of Directors.

With Teknosa Board of Directors' decision, the Early Risk Detection Committee members were determined as follow;

Name Surname	Position	Nature of the Board of Directors Membership/Position
Mehmet Kahya	Chairman of Early Risk Detection Committee	Independent Board Member
Mevlüt Aydemir	Member of Early Risk Detection Committee	Independent Board Member

Audit Committee

The duty of the Audit Committee is to oversee the Company's accounting system, financial reporting, announcement of financial statements, progress and effectiveness of independent auditing and internal control, on behalf of the Company's Board of Directors.

The Audit Committee reports its activities, evaluations and suggestions to the Board of Directors in writing.

The Chairman and the members of the Audit Committee are appointed by the Board of Directors from among Independent Members. With Teknosa Board of Directors' decision, the Audit Committee members were determined as follow;

Name Surname	Position	Nature of the Board of Directors Membership/Position
Mehmet Kahya	Chairman of the Audit Committee	Independent Board Member
Mevlüt Aydemir	Member of Audit Committee	Independent Board Member

The Audit Committee held 4 meetings in 2019 and the main agenda items were the review of the independent audit report and examination of the presentations of the Internal Audit Department.

Other Information

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

In the report, our Company evaluated the following transactions conducted with the controlling company and associated companies during the reporting year (January 1, 2019 - December 31, 2019) in accordance with accountability principles and conditions known to us: All legal transactions as well as all legal transactions conducted under the direction of the controlling company, and all other measures taken, or refrained from being taken, to the advantage of the controlling company, or one of its subsidiaries in 2019, under the circumstances and conditions known to the Board at the time. In the report issued by the Teknosa Board of Directors on February 20, 2020, it was concluded that, in all transactions performed by Teknosa with the controlling company and the associated companies of the controlling company in 2019, all necessary legal transactions were conducted and all measures taken as described as per Article 199 of the Turkish Commercial Code No. 6102 and as required by the responsibilities assigned to the Board. The transactions are in conformity with the precedents, according to controlling company statements as per the relevant articles of the Turkish Commercial Code numbered 6102, and we declare that Teknosa did not incur any loss due to the fact that it operates under a Group of Companies.

Subsequent Events Following the Balance Sheet Date

As of January 24, 2020, in order to fill the vacancies after Hakan Timur resigned from his position as Board Member and Mehmet Tanju Ula as Independent Board Member, Fezal Okur Eskil and Mevlüt Aydemir were appointed respectively, subject to the approval of the first General Assembly to be held.

Mevlüt Aydemir filled in the position of Chairman of the Corporate Committee and Member of the Audit Committee and Early Risk Detection Committee, vacated after Mehmet Tanju Ula's resignation. Board Member Levent Demirağ was appointed to fill in, and replace Hakan Timur's position as Deputy Chairman.

Information on Administrative or Legal Penalties Imposed on the Company and its Board Members due to Actions Contrary to Law

Pursuant to the Capital Markets Board's decision no 32/749 on May 30, 2019, TL 92,883 administrative fine was charged to the Company. The Company was entitled to a discount by paying 75% of this administrative fine within the term of litigation (60 days), as per subparagraph 6, Article 17 of the Misdemeanors Law No. 5326 dated March 30, 2005. Consequently, TL 69,662.25 was paid on June 28, 2019.

Corporate Governance Compliance Statement

Teknosa adopted the norm of complying with the four Corporate Governance Principles of Transparency, Equality, Responsibility and Accountability.

Our Company complies with all the principles; that are held obligatory and stipulated in the "Communiqué (II-17.1) on "Determination and Implementation of the Corporate Governance Principles."

On the other hand, full compliance has not been achieved yet due to some difficulties experienced during the implementation of certain non-obligatory principles, due to ongoing debates about compliance with certain principles on the international platform as well as in Turkey, and also because of the inapplicability of some principles due to the structure of Teknosa and the market. The details and explanations regarding the compliant and non-compliant issues are explicitly included in our reporting in URF and KYBF formats, links of which are provided below. The developments in this area are closely followed and compliance efforts continue.

In 2019, in accordance with the legislation, the Company made necessary public disclosures in order to inform the investors and analysts promptly, transparently, consistently, regularly and simultaneously regarding all the important information that may have an impact on their investment decisions and regularly updated the Investor Relations website. Moreover, the Company attended investor meetings and conferences in order to continuously ensure the best communication with investors and analysts. Developments in the Legislation were monitored closely and necessary actions were taken.

Sensitive to their social responsibilities, the Company complies with regulations related to environment, consumer, and public health as well as ethical rules. The Company supports and respects universal human rights. Teknosa's Corporate Governance Compliance Report (Compliance Report Format - URF) is available at https://kap.org.tr/tr/Bildirim/820199, and Corporate Governance Information Form (CGIF) at https://kap.org.tr/tr/Bildirim/820998.

Statement of Independence

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

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

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

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

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

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

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

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

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

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

j) I have not been registered and announced as a Board member representing a legal entity. I hereby declare the above-mentioned matters.

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

Mehmet Kahya

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

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

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

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

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

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

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

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

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

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

j) I have not been registered and announced as a Board member representing a legal entity. I hereby declare the above-mentioned matters.

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

Mevlüt Aydemir

Profit Distribution Table

TEKNOSA İÇ VE DIŞ TİCARET A.Ş. 2019 DIVIDEND DISTRIBUTION POLICY (TL)			
PAID-IN/ISSUED CAPITAL			**110.000.000,00**
2. General Legal Reserves (As per Statutory Records)			**8,704,007.41**
Information regarding privileges in dividend distribution, if there is any as per the articles of association			**N/A**
		As per CMB	**As per Statutory Records**
3.	**Profit for the Period**	**-148,634,130.82**	**-140,758,693.99**
4.	**Taxes (-)**	**0.00**	**0**
5.	**Net Profit for the Period (=)**	**-148,634,130.82**	**-140,758,693.99**
6.	**Losses from Previous Years (-)**	**-317,292,333.00**	**-340,005,997.00**
7.	**Ordinary Legal Reserves (-)**	**0.00**	**0.00**
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**0.00**	**0.00**
9.	Donations Made within the Year (+)	73,429.30	0
10.	**Net Distributable Profit for the Period incl. Donations**	**0**	**0**
11.	**Primary Dividends for Shareholders**	**0**	**0**
	-Cash	0	0
	-Non-Paid Up	0	0
	-Total	0	0
12.	Dividends Distributed to Shareholders with Privileged Shares	0	0
13.	**Other Dividends Distributed**	**0**	**0**
	- To Board Members	0	0
	- To Employees	0	0
	- To Persons other than Shareholders	0	0
14.	Dividends Distributed to Holders of Redeemed Shares	0	0
15.	Secondary Dividends for Shareholders	0	0
16.	Ordinary Legal Reserves	0	0
17.	Statutory Reserves	0	0
18.	Special Reserves	0	0
19.	**EXTRAORDINARY RESERVES**	**0**	**0**
20.	**Other Resources Planned for Distribution**	**0**	**0**
	- Retained Earnings	0	0
	- Extraordinary Reserves	0	0
	- Other Distributable Reserves as per Law and Articles of Association	0	0

DIVIDEND RATIOS TABLE					
	TOTAL DIVIDENDS DISTRIBUTED		**TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD**	**DIVIDENDS FALLING TO SHARES WITH A NOMINAL VALUE OF TL 1**	
	CASH (TL)	**NON-PAID UP (TL)**	**RATE (%)**	**AMOUNT (TL)**	**RATE (%)**
GROSS	0.00	-	0.00	0.000000	0.0000
NET	0.00	-	0.00	0.000000	0.0000

A "Loss for the Period" of TL 148,634,130.82 was accrued as per our consolidated financial statements for the accounting period from 01.01.2019 to 31.12.2019, prepared in accordance with the CMB's Communiqué Series: II No:14.1 on "Principles Regarding Financial Reporting in Capital Markets" and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., whereas a Loss for the Period of TL 140,758,693.99 was accrued as per the provisions of Tax Procedure Law. It was decided by majority vote to inform the shareholders, and to present this matter to the General Assembly for approval, that no profit distribution be made for the accounting period 2019 as per CMB's regulations on profit distribution.

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

AUDITOR’S REPORT ON THE EARLY RISK DETECTION SYSTEM AND COMMITTEE

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

We have audited the Early Detection of Risk system and committee established by Teknosa İç ve Dış Ticaret Anonim Şirketi ("the Company").

Responsibility of the Board of Directors

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

Auditor’s Responsibility

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

Information on the Early Risk Detection System and Committee

The Early Detection and Management of Risk Committee ("Committee") is intended to conduct activities aimed at detecting the risks likely to jeopardize the Company’s presence, development and continuity, implementing the measures necessary for the risks identified, and managing aforementioned risks. The Committee is composed of two members, one being the Chairman. To evaluate the accounting period of 2019, the Committee convened six times, namely on March 15, May 17, July 19, September 20, November 15, and 18 January 2020, and submitted the reports it drafted to the Board of Directors.

Conclusion

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

Independent Auditor's Report Regarding the Annual Report

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

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

Opinion

We audited the full set of financial statements and the annual report of Teknosa İç ve Dış Ticaret Anonim Şirketi ("the Company") for the accounting period from 1 January 2019 to 31 December 2019.

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

Basis for Opinion

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

Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion in the auditor's report dated February 20, 2020, on the full set of financial statements of the Company for the period 1 January 2019 to 31 December 2019.

Board of Directors' Responsibility for the Annual Report

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

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

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

Auditor's Responsibility for the Audit of the Annual Report

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

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 WITH INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

KPMG

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INDEPENDENT AUDITOR'S REPORT

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

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of TeknoSA İç ve Dış Ticaret Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2019, 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 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

Refer to Note 2.5 to the financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition.

KPMG

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

KPMG

Valuation of deferred tax assets

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

The key audit matter	How the matter was addressed in our audit
As of the year ended 31 December 2019, the Company calculated deferred tax assets for deductible temporary differences and unused financial losses of the previous year. Additionally, the Company has recognized deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable. The recoverability of recognized deferred tax assets is dependent on the Company's ability to generate future taxable profits sufficient to utilize deductible temporary differences and tax losses (before latter expire). We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences. Significant judgment is required in relation to the recognition and recoverability of deferred tax assets.	We have performed the following audit procedures to be responsive to this area: - Assessing and challenging the assumptions and judgments exercised by management in respect of the forecasts of future taxable profits by analyzing the assumptions adopted by management; - Reconciliation of the estimates and assumptions used in the future business plans which has been approved by the Board of Directors; - Considering the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year and assessing whether there were any indicators of management bias in the selection of key assumptions; - Considering the impact of recent regulatory developments, where applicable and relevant; - Reconciling tax losses and expiry dates to tax statements; and - Evaluation of the adequacy of disclosures which is included in the financial statements for the application of the judgments used in the estimation of deferred tax assets that are recognized or not recognized in the financial statements of the Company, whether properly reflects the deferred tax position in accordance with TFRSs.

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

Refer to Note 2.5 and Note 29 to the financial statements for significant accounting assessments for the determination of adequacy of financial position.

The key audit matter	How the matter was addressed in our audit
The Company has certain obligations which has key determinants in relation to going concern regulated by the Turkish Commercial Code ("TCC") numbered 6102. We have identified that the most important assumption used in assessing the going concern of the Company - as the main determinant of the equity position evaluating the Company's brand by taking the brand appraisal report and expected future profitability. The calculations in order to determine the fair value of the trademark and the calculations supporting the future profitability assessment made by the Company management are based on the estimations of the management's future performance and significant judgements. We identified this issue as a key audit matter because of the significant judgment required in determining the assumptions and estimates used in the calculations.	Our audit procedures to assess financial position included the following: • Evaluation of the significant estimates and assumptions an review of valuation methodology used in the brand appraisal report as included in the special purpose financial statements prepared in accordance with TCC 376 in compliance with CMB decision dated 10 April 2014 and numbered 11/352. • Performing sensitivity analysis, with the assistance of our corporate finance specialists, over the trademark value determined at the brand appraisal report by taking current cash projections of the Company and current economic parameters into consideration • Evaluation of the significant estimates and assumptions and review of valuation methodology used in the brand appraisal report as included in the special purpose financial statements prepared in accordance with TCC 376 in compliance with CMB decision dated 10 April 2014 and numbered 11/352. • Assessment of the assumptions used by the Company management in estimating future performance and whether the accounting principles used in the preparation of the related special purpose financial statement are appropriate.

Initial application of TFRS 16 Leases

Refer to Note 2.5 to financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for the initial application of TFRS 16 Leases.

The key audit matter	How the matter was addressed in our audit
The Company has applied TFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting TFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Company has several lease agreements including stores, warehouses, vehicles and headquarters building. As of 31 December 2019, TL 357.638 thousand of lease contract liabilities and TL 321.898 thousand of right of use asset. The share of the right of use assets within the total current assets is 62%. Significant judgement is required in the assumptions and estimates made in order to measure the right of use asset and liability and determine right of use asset components, lease payments and appropriate discount rates. The adjustments arising from applying TFRS 16 are material to the Companys's consolidated financial statements, and this disclosure of impact is a key focus area in our audit. Since the lease contracts can be complex, "the first application of TFRS 16" has been identified as one of the key audit matters, since it will require significant judgment by the management when determining the accounting basis specific to each situation.	Our audit procedures to assess financial position included the following: • Selected sample lease agreements signed between the Company and the lessor were examined. Those agreements have been evaluated within the scope of TFRS 16 and relevant scope criteria have been checked; • Through our discussions with the Company Management, understanding the Company's process in identifying lease contracts, or contracts contained leases; • Examining contracts with sampling method to evaluate appropriateness of the terms of contracts to agree whether underlying asset is low value and leases with a term of less than 12 months determined by the Company; • The net present value calculations of future lease payments have been checked within the scope of TFRS 16 for leases with fixed rental and minimum warranty payment terms. According to the contracts selected through sampling, rent increase rates were evaluated and compared with the payment plan used in the calculation.. • The discount rates used according to the terms and foreign currency types of the contracts covered were examined. • We obtained the Companys's quantification of ROU assets and lease liabilities. For a sample of leases. we agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discount rate applied, and performed recalculation checks. • We assessed the appropriateness of Companys's accounting policies for ROU assets and lease liabilities in accordance with TFRS 16. • We attended a number of trainings for TFRS 16 and reviewed published papers associated with the impact of TFRS 16 on telecoms to assist us in benchmarking the Companys's approach to adopting TFRS 16. • We evaluate the appropriateness of the associated disclosures in the financial statements.

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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.

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 20 February 2020.

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 2019 and 31 December 2019, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

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

Ruşen Fikret Selamet, SMMM
Sorumlu Denetçi

20 February 2020
İstanbul, Turkey

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Notes to the Financial Statements as at and for the Year Ended 31 December 2019

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

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Statement of Financial Position as at 31 December 2019

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

		Current period	Prior period
		Audited	*Audited*
	Notes	31 December 2019	31 December 2018
ASSETS			
Current assets		**994.466**	**592.569**
Cash and cash equivalents	*5*	37.267	26.987
Trade receivables	*7*	*66.362*	*65.775*
Trade receivables from related parties	*4,7*	*677*	*1.764*
Trade receivables from third parties	*7*	65.685	64.011
Inventories	*9*	860.128	492.677
Prepaid expenses	*10*	5.817	6.003
Other current assets	*18*	24.892	1.127
Non-current assets		**518.110**	**167.856**
Other receivables	*8*	496	581
Investment property	*12*	29.222	8.929
Right of use assets	*11*	321.898	--
Property, plant and equipment	*13*	59.737	89.584
Intangible assets	*14*	35.813	26.999
Prepaid expenses	*10*	27	265
Deferred tax assets	*25*	70.917	41.498
TOTAL ASSETS		**1.512.576**	**760.425**

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

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Statement of Financial Position
as at 31 December 2019

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

	Notes	Current period *Audited* 31 December 2019	Prior period *Audited* 31 December 2018
LIABILITIES			
Current liabilities		**1.481.540**	**855.233**
Financial Liabilities	6	105.521	8.500
Short portion of long-term rent liabilities		84.720	--
Short portion of long-term rent liabilities to related parties	4	*980*	--
Short portion of long-term rent liabilities to third parties		*83.740*	--
Trade payables	7	1.232.640	777.142
Trade payables to related parties	4	*5.475*	*4.738*
Trade payables to third parties	7	*1.227.165*	*772.404*
Payables related to employee benefits	15	17.931	15.643
Other payables	8	2.349	1.990
Other payables to third parties		*2.349*	*1.990*
Deferred revenue	10	14.928	12.532
Short-term provisions		20.668	25.128
Short-term provisions for employee benefits	15	*10.169*	*7.329*
Other short-term provisions	16	*10.499*	*17.799*
Other current liabilities	18	2.783	14.298
Non-current liabilities		**282.889**	**8.270**
Long-term rent liabilities		272.918	--
Long-term rent liabilities to related parties	4	*3.297*	--
Long-term rent liabilities to third parties		*269.621*	--
Long-term provisions for employee benefits	15	9.971	8.270
EQUITY		**(251.853)**	**(103.078)**
Share capital	19	110.000	110.000
Adjustments to share capital	19	6.628	6.628
Restricted reserves	19	8.704	8.704
Other reserves		3	3
Other comprehensive income or expense items that will not be reclassified to profit or loss		23.867	24.008
Gains on revaluation of property, plant and equipment	19	*28.149*	*27.209*
Losses on remeasurement of defined benefit plans	19	*(4.282)*	*(3.201)*
Accumulated losses		(252.421)	(187.812)
Net profit / (loss) for the period		(148.634)	(64.609)
TOTAL LIABILITES		**1.512.576**	**760.425**

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

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2019

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

	Notes	Current period Audited 31 December 2019	Prior period Audited 31 December 2018
Revenue	*20*	4.136.971	3.477.020
Cost of revenue (-)	*20*	(3.422.374)	(2.831.234)
GROSS PROFIT		**714.597**	**645.786**
Marketing expenses (-)	*21*	(482.266)	(466.990)
General administrative expenses (-)	*21*	(57.110)	(56.126)
Other income from operating activities	*22*	40.047	71.884
Other expenses from operating activities (-)	*22*	(175.001)	(144.736)
RESULTS FROM OPERATING ACTIVITIES		**40.267**	**49.818**
Income from investing activities	*23*	1.724	316
Expenses from investing activities (-)	*23*	(8.964)	(6.811)
Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9		2.562	279
OPERATING PROFIT/(LOSS) BEFORE FINANCE COSTS		**35.589**	**43.602**
Finance costs (-)	*24*	(213.476)	(98.088)
OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX		**(177.887)**	**(54.486)**
Tax (expense)/income		**29.253**	**(10.123)**
- Current tax expense		--	--
- Deferred tax (expense)/income	*25*	29.253	(10.123)
PROFIT/(LOSS) FOR THE PERIOD		**(148.634)**	**(64.609)**
Attributable to:			
Non-controlling interests		--	--
Owners of the Company		(148.634)	(64.609)
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Items that will not be reclassified to profit or loss		**(141)**	**4.667**
Gains/(losses) on remeasurement of defined benefit plans		*(1.351)*	*(792)*
Gains on revaluation of property, plant and equipment		*1.044*	*5.586*
Income tax related to items that will not be reclassified to profit or loss	*25*	*166*	*(127)*
Items that are or may be reclassified to profit or loss		**--**	**237**
(Losses)/gains on cash flow hedges		--	*304*
Income tax related to items that are or may be reclassified to profit or loss	*25*	--	*(67)*
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		**(148.775)**	**(59.705)**
Earnings/(loss) per share [(For 1 lot share)]	**26**	**(0,0135)**	**(0,0059)**
Diluted earnings /(loss) per share [(For 1 lot share)]	**26**	**(0,0135)**	**(0,0059)**

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

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Statement of Changes in Equity for the Year Ended 31 December 2019

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

					Other comprehensive income that will not be reclassified to profit or loss		Other comprehensive income that are or may be reclassified to profit or loss	Retained earnings/ Accumulated losses		
(NOTE 19)	Paid in share capital	Adjusments to share capital	Restricted reserves	Other reserves	Gain / (losses) on remeasurement of defined benefit plans	Gains on revaluation of property, plant and equipment	Cash flow hedge reserve	Prior years' profit/ (losses)	Net profit/ (loss) for the period	Total equity
Prior period										
Balance at 1 January 2018	**110.000**	**6.628**	**8.704**	**3**	**(2.567)**	**21.908**	**(237)**	**(207.380)**	**19.568**	**(43.373)**
Transfers	--	--	--	--	--	--	--	19.568	(19.568)	--
Total comprehensive income	--	--	--	--	(634)	5.301	237	--	(64.609)	(59.705)
Balance at 31 December 2018	**110.000**	**6.628**	**8.704**	**3**	**(3.201)**	**27.209**	**--**	**(187.812)**	**(64.609)**	**(103.078)**
Current period										
Balance at 1 January 2019	**110.000**	**6.628**	**8.704**	**3**	**(3.201)**	**27.209**	**--**	**(187.812)**	**(64.609)**	**(103.078)**
Transfers	--	--	--	--	--	--	--	(64.609)	64.609	--
Total comprehensive income	--	--	--	--	(1.081)	940		--	(148.634)	(148.775)
Balance at 31 December 2019	**110.000**	**6.628**	**8.704**	**3**	**(4.282)**	**28.149**	**--**	**(252.421)**	**(148.634)**	**(251.853)**

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

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Statement of Cash Flows for the Year Ended 31 December 2019

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

	Notes	Current period Audited 1 January – 31 December 2019	Prior period Audited 1 January – 31 December 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		**(148.634)**	**(64.609)**
Adjustments:			
Adjustments for finance costs	24	213.476	98.088
Adjustments for depreciation and amortisation expenses	21	133.298	32.013
Adjustments for fair value (gains) or losses on derivative financial instruments		--	67
Adjustments for impairment of receivables	7	(123)	(279)
Adjustments for (reversal of)/provision for other provisions		(3.645)	6.113
Adjustments for (reversal of)/impairment of property, plant and equipment and intangible assets	12,13,14	(3.785)	(1.017)
Adjustments for (reversal of)/impairment of inventory	9	73	(2.363)
Adjustments for provision for employee benefits		11.913	2.427
Adjustments for interest expenses	23	(124)	(187)
Adjustments for tax expense/(income)	25	(29.253)	10.123
Adjustments for the (gains)/losses on sale of property, plant and equipment	23	8.318	5.415
		181.514	**85.791**
Changes in working capital:			
Decrease/(increase) in trade receivables from third parties		(1.551)	(7.717)
Decrease in trade receivables from related parties	4	1.087	846
Decrease/(increase) in inventories	9	(367.524)	(74.181)
Decrease in other assets related to operations		(25.522)	389
Decrease in trade payables to third parties	7	454.761	100.756
Decrease in trade payables to related parties	4,7	737	1.442
Change in other liabilities related to operations		(5.288)	(19.370)
Payments related to provisions for employee benefits	15	(7.642)	(3.781)
Payments related to other provisions		(3.654)	(3.419)
Cash provided by/(used in) operating activities		**226.918**	**80.756**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	13	(23.931)	(23.676)
Acquisition of intangible assets	14	(14.822)	(13.395)
Proceeds from sale of property, plant and equipment and intangible assets		3.183	--
Interest received	23	124	187
Cash used in investing activities		**(35.446)**	**(36.884)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(136.949)	(98.088)
Payments for operating leases		(141.264)	--
Bank loans	6	97.021	8.500
Cash (used in)/provided from financing activities		(181.192)	(89.588)
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	5	**10.280**	**(45.716)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**26.987**	**72.703**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	5	**37.267**	**26.987**

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

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Notes to the Financial Statements as at and for the Year Ended 31 December 2019

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Teknosa İç ve Dış Ticaret Anonim Şirketi, ("Teknosa" or "the Company") was established on 3 March 2000, and is engaged in retail sales of consumer electronics through its stores and website www.teknosa.com and air conditioners and white goods through its dealers. The Company's main shareholders are Hacı Ömer Sabancı Holding A.Ş. and Sabancı Family members. As at 31 December 2019, number of personnel of the Company is 2.270 (31 December 2018: 2.292). The Company is registered in Turkey and operates under the laws and regulations of Turkish Commercial Code.

In accordance with the resolution of the Board of Directors dated 6 April 2016, 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 200 stores with 105.276 square meters retail space as at 31 December 2019 (31 December 2018: 107.836 square meters, 205 stores). The registered office address of the Company is as follows:

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

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

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

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

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

2.1 Basis of presentation (Contiuned)

Approval of financial statements:

The financial statements are approved by the Company's Board of Directors on 20 February 2020. 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

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

(iv) Preparation of financial statements in hyperinflationary periods

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

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

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

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Notes to the Financial Statements as at and for the Year Ended 31 December 2019

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

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

2.1 Basis of presentation (Contiuned)

• The Company reclassified provisions amounting TL 2.447 previously presented under "other current liabilities" to "other short term provisions" in its comparative statement of financial position as at 31 December 2018.

The related reclassification has no effect on the loss for the period ended 31 December 2018.

The reclassifications are considered in the preparation of the statement of cash flows for the period ended 31 December 2018.

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 2019, there is no change in the Company's accounting policies, except for the first application of TFRS 16. As of 1 January 2019, a number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

2.2.1. TFRS 16 Leases

Definition of lease

The company has applied the "TFRS 16 Leases" standard, which replaces "TAS 17 Leasing Transactions", as of 1 January 2019, the first date of implementation.TFRS 16 introduced a single lease accounting model for lessees. 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.Accounting for the lessor is similar to previous accounting policies.

The company did not rearrange comparable amounts for the previous year using the simplified transition application. With this method, all right of use assets are measured from the amount of lease liabilities (adjusted for lease costs that are paid in advance or accrued) in transition to implementation. Details of changes in accounting policies are described below.

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

2.2 Changes in significant accounting policies (Continued)

2.2.1. TFRS 16 Leases (Continued)

Definition of lease (Continued)

Previously, at the beginning of the contract by the Company, it was decided whether a contract includes a lease, according to TFRS Interpretation 4 "Determining whether a arrangement includes a lease", The Company now evaluates whether a contract includes a lease based on the new lease definition. In the event that the right to control the use of the asset defined in accordance with TFRS 16 is transferred for a certain period of time, this contract is a lease contract or includes a lease.

In the transition to TFRS 16, the Company chose to apply it in its old form for identification as a lease, using the facilitative application which deals with the classification of transactions as lease.Therefore, it applied TFRS 16 only to contracts previously described as lease contracts. According to TAS 17 and TFRS Interpretation 4, it is not reassessed whether contracts that do not include a lease include a lease. For this reason, the definition of leasing under TFRS 16 has been applied only to contracts concluded or amended on or after 1 January 2019.

The company has reassigned to each lease contract and non-lease component based on its relative stand-alone price at the re-evaluation of a contract containing a lease component or at the start of the contract. In addition to this, for the properties it is a lessie, the Company has chosen not to separate non-lease components and to account for non-lease and non-lease components as a single lease component.

As a Lessee

The company rents many assets, including stores, warehouses, transport vehicles and the headquarters building.

As a lessee, the Company has previously classified the lease as an operating or financial lease based on an assessment of whether all of the risks and benefits arising from ownership of the asset have been reclassified. In accordance with TFRS 16, the Company has included the right to use assets and lease liabilities in its financial statements for most of its leases. In other words, these leases are presented in the statement of financial position.

The Company chose not to presented the right of use assets and lease liabilities in its financial statements for low value asset leases, including short-term information technology equipment with a lease term of 12 months or less. The Company reflects the lease payments associated with these leases in the financial statements as linear expenses throughout the lease period.

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

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

2.2 Changes in significant accounting policies (Continued)

2.2.1. TFRS 16 Leases (Continued)

As a Lessee (Continued)

The book values of the right of use assets are as follows:

	Right of use assets		
	Buildings	**Vehicles**	**Total**
As of 1 January 2019	391.022	3.376	394.398
As of 31 December 2019	319.106	2.792	321.898

The Company presents lease liabilities in 'loans and borrowings' in the statement of financial position. The book values of lease liabilities are as follows:

	Lease liabilities		
	Buildings	**Vehicles**	**Total**
As of 1 January 2019	391.022	3.376	394.398
As of 31 December 2019	357.349	289	357.638

As a Lessor

The company rents some of its business centers. The company has classified these leases as operating leases.

The accounting policies applied by the company as a lessor are not different from those applied in accordance with TAS 17. However, when the Company is an intermediate lessor, the sub-lease amount is classified according to the underlying assets.

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

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

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

2.2 Changes in significant accounting policies (Continued)

2.2.1. TFRS 16 Leases (Continued)

Transition

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

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

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

- As of 1 January 2019, applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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

2.2 Changes in significant accounting policies (Continued)

2.2.1. TFRS 16 Leases (Continued)

a. Transition effect

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

	1 January 2019
Right of use assets	394.398
Lease liabilities	394.398

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate applied is 23%.

	1 January 2019
Operating lease commitment presented in the financial statements of 31 December 2018	681.372
Operating lease liabilities included in the financial statements as of 31 December 2018	546.754
Leases based on variable conditions (turnover leases)	134.618
Lease liabilities as of 1 January 2019	394.398

b. Impacts for the period

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TL 321.898 of right-of-use assets and TL 357.638 of lease liabilities as at 31 December 2019. As of 31 December 2019, the alternative interest rate is 23%.

Also in relation to those leases under TFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. As of 31 December 2019, the Company recognised TL 100.477 of depreciation charges and TL 76.527 of interest costs from these leases.

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

2.3 Changes in estimates and error

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

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods. The Company has no significant changes in the accounting estimates as at and for year ended 31 December 2019 compared to those used in previous year.

2.4 Changes in Turkish Financial Reporting Standards

Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2019

Standards issued but not yet effective and not early adopted

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

The revised Conceptual Framework (2018 version)

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

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

2.4 Changes in Turkish Financial Reporting Standards (Continued)

Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2019 (Continued)

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

Amendments to TAS 1 and TAS 8 - Definition of Material

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

The implementation of the amendment in TAS 1 and TAS 8 is not expected to have an impact on the financial statements of the Company.

Amendments to TFRS 3 - Definition of a Business

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

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

2.4 Changes in Turkish Financial Reporting Standards (Continued)

Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2019 (Continued)

The implementation of the amendment in TFRS 3 is not expected to have an impact on the financial statements of the Company.

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

The Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7, published by IASB in September 2019, was also published by the POA on 14 December 2019. In 2018, the IASB determined the issues to be dealt with before and after the amendment of the international benchmark interest rates and classified them as pre and amendment matters. As a result of these changes, exemptions were made in four basic issues in financial hedge accounting in TFRS 9 and TAS 39. These issues are:

- The highly probable requirement,
- Prospective assessments,
- IAS 39 retrospective assessment; and
- Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. The company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.
The company shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

2.5 Summary of Significant Accounting Policies

Financial statements for the period ended 31 December 2019 have been prepared in accordance with TFRS. The significant accounting policies applied while preparing the financial statements are as follows.

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

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

2.5 Summary of Significant Accounting Policies (Continued)

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

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

2.5 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.

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

2.5 Summary of Significant Accounting Policies (Continued)

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

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

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

Intangible assets

Recognition and measurement

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

Subsequent expenditure

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

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:

	Useful lives (year)
Licences, rights and computer software	3 - 15

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

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

2.5 Summary of Significant Accounting Policies (Continued)

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 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; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

ii) Classification and subsequent measurement (Continued)

Financial assets- Assessment of the business model

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (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. In making this assessment, the Company considers:

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

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

ii) Classification and subsequent measurement (Continued)

Financial assets – Subsequent measurement and gains and losses

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

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

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 instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. As of December 31, 2019 and December 31, 2018, the Company has no derivatives.

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

2.5 Summary of Significant Accounting Policies (Continued)

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)

2.5 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-derivative financial 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.

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

2.5 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

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

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

Presentation of impairment

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

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

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

Write-off

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

Non-financial assets

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-derivative financial assets (continued)

Non-financial assets (continued)

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

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

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

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.

The company management has determined its stores, which have been operating for more than 1 year, apart from the outlet stores, among the stores that continue their activities, and that produce losses before the tax profit / loss level. Carried out 5-year cash flow projection studies for the relevant stores, reduced to today. As a result of this study, it is determined that the company has stores that need to be set aside at the end of 2019.

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

2.5 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-financial assets (continued)

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

The company has implemented TFRS 16 using the simplified retrospective approach and therefore comparative information has not been rearranged. Therefore; It continued to be presented according to TAS 17 and TFRS Interpretation 4. The details of accounting policies within the scope of TAS 17 and TFRS Interpretation 4 are explained separately.

Policies applicable from 1 January 2019

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Policies applicable from 1 January 2019 (Continued)

As a lessee (Continued)

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.

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Policies applicable from 1 January 2019 (Continued)

As a lessee (Continued)

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 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)

2.5 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Policies applicable from 1 January 2019 (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'.

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Accounting policy applied before 1 January 2019.

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

(ii) As a lessor

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

Provisions, contingent assets and liabilities

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

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

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

Tax

Tax expense comprises current and deferred tax.

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Notes to the Financial Statements as at and for the Year Ended 31 December 2019

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Current tax

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

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

Deferred tax

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Tax (Continued)

Deferred tax (continued)

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 14).

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Notes to the Financial Statements as at and for the Year Ended 31 December 2019

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Earnings 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 25). 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.

Foreign currency transactions

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

Finance income and finance expenses

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

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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.

Significant financing component

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

Variable consideration

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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)

2.5 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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

ii) Turnover premiums and supplier discounts

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

iii) Customer gift checks

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Warranty expenses and provisions

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

Business combinations

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

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

Segment reporting (Continued)

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

Share capital and dividends

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

Related parties

Parties are considered related to the Company if:

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

Events after the reporting period

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

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.

Critical judgments in applying the Company's accounting policies

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.

Impairment of property, plant and equipment and intangible assets

The Company assesses at each reporting date to determine whether there is any indication of impairment. If the stores which are operating more than 1 year generates operating profit/ (loss) before income tax lower than the planned performance result, this situation is assessed as an objective evidence for impairment. If any such indication exists, then the asset's recoverable amount is compared with the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If the carrying amount of an asset or any cash generating unit that the asset belongs to is higher than its net realizable value, the value of the asset has impaired. Additionally, the Company recognises allowance for impairment for the tangible assets of the stores for which the Company management has expected to close down. The allowance for impairment is calculated with rates applied on the net carrying amount as at the reporting date. The applied rate is 100% for the leasehold improvements and 50% for the equipment. The Company recognised allowance on property, plant and equipment amounting to TL 2.831 as at 31 December 2019 (31 December 2018: TL 2.284).(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.

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

2.5 Summary of Significant Accounting Policies (Continued)

The Company makes aging analysis for its inventories based on certain date ranges from the acquisition date. Impairment is calculated for the old stock over 180 days with different rates applied for each date range based on the aging analysis as at reporting date. The Company recognised allowance on inventories amounting to TL 15.022 as at 31 December 2019 (31 December 2018: TL 19.949). (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.

2.6 Summary of Significant Accounting Estimates

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 2019, the amount offset from the deferred revenue from the gift checks recognised in the financial statement is amounting to TL 6.262 (31 December 2018: TL 7.380) (Note 10)

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

2.6 Summary of Significant Accounting Estimates (Continued)

Compliance with the financial requirements

The Company recognised net loss amounting to TL 148.634 for the year ended 31 December 2019. As at 31 December 2019, accumulated losses are amounting to TL 252.421. As at 31 December 2019, negative equity of the Company which includes the prior years' losses is amounting to TL 251.853.

In 2019 the Company management closed the nonperforming stores considering the future profitability factors, and have further taken necessary actions to reduce the rent expenses in the stores and the operational costs in the headquarter, manage clerance of its inventories to reduce the cost of inventories. The Company recognised the expenses and provisions related to these actions taken in its financial statements. As a result of the actions taken, the Company started to generate performance results which improve the negative equity status.

In addition to this, the Company made an announcement on Public Disclosure Platform on 20 February 2020 in accordance with the CMB's principal decision numbered 11/352 as detailed below:

"The Company issued its financial statements which are prepared in accordance with the CMB regulations as at 31 December 2018. The Company's equity in these financial statements amounting to full TL (-) 251.853.000 and the brand value which is the off-balance sheet asset of the Company amounting to full TL 315.159.000 are considered in accordance with the CMB's principal decision numbered 2014/11. However, there is no change in the negative equity status of the Company in these financial statements which are prepared in accordance with above mentioned the CMB regulations. As a result, statement of financial position is prepared in accordance with the related article of TCC 376 based on the CMB's principal decision numbered 2014/11

The brand value is included in the statement of financial position prepared in accordance with the related article of TCC 376. Equity of this statement in the financial position prepared in accordance with the related article of TCC 376 is amounting to full TL (+) 113.156.572 This indicates that the Company maintains its share capital amounting to full TL 110.000.000."

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NOTE 3 – SEGMENT REPORTING

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

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

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

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

	1 January – 31 December 2018		
	Retail stores	**Dealer group**	**Total**
Total segment income	3.222.712	254.308	3.477.020
Income from third party customers	**3.222.712**	**254.308**	**3.477.020**
Adjusted EBIT	**139.785**	**18.579**	**158.364**

	1 January – 31 December 2019	**1 January – 31 December 2018**
Reconciliation of Adjusted EBIT with profit before taxes:	**317.200**	**158.364**
Depreciation and amortisation expenses	(133.298)	(32.013)
Finance costs	(213.476)	(98.088)
Income/(expenses) from investing activities	(7.240)	(6.495)
Other expenses from operating activities- net	(134.954)	(72.852)
Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9	2.562	279
Provision for employee termination benefits	(8.681)	(3.681)
Profit/(loss) before tax	**(177.887)**	**(54.491)**

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

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

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NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Deposit accounts in Akbank T.A.Ş.	31 December 2019	31 December 2018
Demand deposit	12.213	8.756
	12.213	**8.756**

Credit card receivables in Akbank T.A.Ş.	31 December 2019	31 December 2018
Credit card receivables	3.069	2.245
	3.069	**2.245**

	1 January – 31 December 2019		
Transactions with related parties	Sale of goods	Rent expense	Other expenses
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	5.370	1.594	2.640
Akbank T.A.Ş.	3.262	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	339	--	5.121
Aksigorta A.Ş.	277	--	(130)
Avivasa Emeklilik ve Hayat A.Ş.	241	--	--
Çimsa Çimento San.ve Tic.A.Ş.	209	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	135	--	--
Kordsa Teknik Tekstil A.Ş	121	--	--
Akçansa Çimento San. ve Tic. A.Ş.	60	--	--
H.Ö. Sabancı Holding A.Ş.	39	--	33
AK Finansal Kiralama A.Ş.	8	--	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	--	--	4.302
	10.061	**1.594**	**11.966**

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NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	1 January – 31 December 2018		
Transactions with related parties	**Sale of goods**	**Rent expense**	**Other expenses**
Akbank T.A.Ş.	6.410	--	--
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	6.239	2.455	1.084
Avivasa Emeklilik ve Hayat A.Ş.	1.342	--	--
Akçansa Çimento San. ve Tic. A.Ş.	157	--	--
Çimsa Çimento San.ve Tic.A.Ş.	114	--	--
Brisa Bridgestone Sabancı Lastik San.Ve Tic.A.Ş.	106	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	77	--	2.143
H.Ö. Sabancı Holding A.Ş.	73	--	121
Aksigorta A.Ş.	52	--	(1.006)
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	4	--	--
Yünsa Yünlü San. Ve Tic. A.Ş.	3	--	--
Kordsa Teknik Tekstil A.Ş.	1	--	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş	--	--	5.597
	14.578	**2.455**	**7.939**

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

	31 December 2019	31 December 2018
Short portion of long-term rent liabilities to related parties	980	--
Long-term rent liabilities to related parties	3.297	--
	4.277	**-**

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

	1 January – 31 December 2019	1 January – 31 December 2018
Salaries and other benefits	4.575	6.577
	4.575	**6.577**

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NOTE 5 – CASH AND CASH EQUIVALENTS

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

	31 December 2019	31 December 2018
Cash	2.676	2.728
Demand deposit	15.351	12.562
Credit card slip receivables	19.240	11.697
	37.267	**26.987**

As at 31 December 2019 and 2018 The Company does not have any time deposits.

The Company's exposure to foreign currency risk for cash and cash equivalents are disclosed in Note 27.

NOTE 6 – FINANCIAL LIABILITIES

The details of financial liabilities as at 31 December 2019 and 2018 are as follows:

	31 December 2019			
	Currency	Interest Rate	Amount	Maturity
Bank loans	TL	%12	105.521	1 January 2020
Short term financial liabilities			**105.521**	

	31 December 2018			
	Currency	Interest Rate	Amount	Maturity
Bank loans	TL	%24	8.500	2 January 2019
Short term financial liabilities			**8.500**	

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

NOTE 6 – FINANCIAL LIABILITIES (continued)

As of 31 December 2019 and 2018 Finance lease payables consist of the followings:

Lease Liabilities	**Present value of minimum lease payments**	
	31 December 2019	**31 December 2018**
Within one year	102.848	--
Less: future finance charges	(18.128)	--
Present value of lease liabilities	**84.720**	**--**
Within two years and after	331.316	--
Less: future finance charges	(58.399)	--
Present value of lease liabilities	**272.917**	**--**

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.

	2019	**2018**
Lease liabilities at 1 January	394.398	--
Increase in lease liabilities during the period	27.977	--
Lease payments during the period	(141.265)	--
Interest expense during the period	76.476	--
Effects of exchange rate changes during the period	51	--
Lease liabilities at 31 December	**357.637**	**--**

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

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

Short term trade receivables

	31 December 2019	31 December 2018
Trade receivables	46.684	46.171
Notes receivables	25.990	27.486
Due from related parties (Note 4)	677	1.764
Allowance for doubtful receivables (-)	(6.989)	(9.646)
	66.362	**65.775**

The average maturity of the Company's trade receivables is 1-7 days for retail receivables and 80 days for dealer groups. (31 December 2018: For retail: 1-7 days, 79 days for dealer receivables). As of 31 December 2019, the Company does not apply overdue interest on trade receivables. (31 December 2018: None).

The movement of the allowance for doubtful receivables for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
As at 1 January	9.646	12.422
Deducated receivables(*)	(2.534)	(2.497)
Reversals	(123)	(279)
	6.989	**9.646**

(*) The Company has recognised provisions for the mentioned amount in prior periods and netted of relevant receivable and doubtful receivable accounts in the current period due to the fact that it is not possible to collect those amounts anymore.

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

	31 December 2019	31 December 2018
Letters of guarantees received	69.892	65.340
Mortgages	9.572	14.382
	79.464	**79.722**

Fair value of the collaterals which the Company is permitted to sell or repledge without the default by the owner of the collateral is TL 79.464 (31 December 2018: TL 79.722). As at the reporting date, there are not any collaterals or mortgages which are sold or re-pledged by the Company

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (continued)

The exchange rate risk for the Company's trade receivables is disclosed in Note 27.

Short term trade payables:

	31 December 2019	31 December 2018
Trade payables	1.224.392	771.179
Due to related parties (Note 4)	5.475	4.738
Expense accruals	2.773	1.225
	1.232.640	**777.142**

As at 31 December 2019, the Company offset income accruals from its suppliers amounting to TL 68.090 with trade payables (31 December 2018: TL 34.432). Average payment terms of trade payables is 104 days (31 December 2018: 83 days). The Company does not have payments on a monthly basis for late interest as of 31 December 2019. (31 December 2018: None).

The exchange rate risk for the Company's trade payables is disclosed in Note 27.

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

The details of other receivables and other payables as at 31 December 2019 and 2018 are as follows:

Other receivables:

	31 December 2019	31 December 2018
Deposits and guarantees given	496	581
	496	**581**

Other payables:

	31 December 2019	31 December 2018
Deposits and guarantees received	2.349	1.990
	2.349	**1.990**

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NOTE 9 - INVENTORIES

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

	31 December 2019	31 December 2018
Trading goods	826.929	506.728
Goods in transit	48.221	898
Allowance for impairment on inventories (-)	(15.022)	(14.949)
	860.128	**492.677**

As at 31 December 2019 cost of goods solds reflected to the statement of profit and loss amounting to TL 3.402.864 (31 December 2018: TL 2.818.263). As at 31 December 2019 and 2018 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 2019 and 2018 are as below:

Allowance for inventories:	2019	2018
As at 1 January	(14.949)	(17.312)
Change of the period	(3.907)	(2.349)
Current year reversal	3.834	4.712
As at 31 December	**(15.022)**	**(14.949)**

NOTE 10 – PREPAID EXPENSES AND DEFERRED REVENUE

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

Short-term prepaid expenses	31 December 2019	31 December 2018
Short term prepaid expenses	5.489	5.039
Advances given for inventories	328	964
	5.817	**6.003**

Long-term prepaid expenses	31 December 2019	31 December 2018
Long term prepaid expenses	27	265
	27	**265**

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

NOTE 10 – PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

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

Short-term deferred revenue	31 December 2019	31 December 2018
Income from gift checks	6.262	7.380
Advances received	8.372	5.002
Other	294	150
	14.928	**12.532**

NOTE 11 – RIGHT OF USE ASSETS

The Company,as a lessie, has included the right of use assets which represents the right to use the underlying assets and lease liabilities which represent the lease payments that it is liable to pay, in its financial statements.The transition effect of the Company in accordance with TFRS 16 is explained in Note 2.2.

As of 31 December 2019, the movement of right of use assets is as follows:

	Buildings	Vehicles	Total
Opening balance 1 January 2019	391.022	3.376	394.398
Addition	26.405	--	26.405
Prepaid expense	1.572	--	1.572
Amortization	(99.893)	(584)	(100.477)
Closing balance 31 December 2019	**319.106**	**2.792**	**321.898**

As of 31 December 2019, thereof TL 96.998 of depreciation charges included in marketing expenses (31 December 2018: None) and TL 3.479 included in general administrative expenses (31 December 2018: None)

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NOTE 12 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation for the year ended 31 December 2019 and 2018 are as follows:

Cost	Land	Buildings	Total
Balance at 1 January 2019	5.295	4.758	10.053
Transfers(**)	17.296	2.043	19.339
Revaluation impairment (*)	(560)	1.514	954
Balance at 31 December 2019	**22.031**	**8.315**	**30.346**
Accumulated depreciation			
Balance at 1 January 2019	--	(1.124)	(1.124)
Charge for the period	--	--	--
Balance at 31 December 2019	**--**	**(1.124)**	**(1.124)**
Net carrying amount as at 1 January 2019	**5.295**	**3.634**	**8.929**
Net carrying amount as at 31 December 2019	**22.031**	**7.191**	**29.222**

Cost	Land	Buildings	Total
Balance at 1 January 2018	6.529	4.791	11.320
Revaluation impairment (*)	(1.234)	(33)	(1.267)
Balance at 31 December 2018	**5.295**	**4.758**	**10.053**
Accumulated depreciation			
Balance at 1 January 2018	--	(1.124)	(1.124)
Charge for the period	--	--	--
Balance at 31 December 2018	**--**	**(1.124)**	**(1.124)**
Net carrying amount as at 1 January 2018	**5.295**	**3.634**	**8.929**
Net carrying amount as at 31 December 2018	**5.295**	**3.634**	**8.929**

NOTE 12 – INVESTMENT PROPERTY (Continued)

There is no amortization charge as of 31 December 2019. (31 December 2018: None)

The Company generates rental income by TL 1.151 (2018: TL 351) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 323 (2018: TL 784). Operating expenses which are not related to the Teknosa store are distributed to lessees.

Land and buildings which are recognised as property, plant and equipment and investment property were revalued by an independent appraisal firm named Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş. on 10 January 2020.

The appraisal firm is an accredited independent firm licensed by CMB, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. The fair value of the land was determined based on the market comparable approach that reflects the recent transaction prices for similar properties. The fair value of the buildings determined based on the highest and best of the current value in use.

(*)As of 31 December 2019, for the part of the land and the building held for investment purposes, the impairment amounting to 560 TL and the fair value gain of 1.514 TL were recorded under the expenses from investment activities, respectively.. Fair value of related land and buildings is level 2.

(**) As of December 31, 2019, the company leased a part of the land and building, so the leased part was classified from tangible assets to investment properties.

As at 31 December 2019, total insurance amount over investment properties is TL 14.338(31 December 2018: TL 12.472). 31 December 2019 and 31 December 2018 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 2019 are as follows:

Cost	Land	Building	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2019	**32.051**	**6.403**	**369**	**57**	**80.558**	**101.865**	**10.054**	**231.357**
Additions	--	660	--	--	3.374	10.005	9.892	23.931
Revaluation surplus (***)	629	415	--	--	--	--	--	1.044
Disposals	--	--	--	--	(4.441)	(9.541)	--	(13.982)
Allowance of impairments	--	--	--	--	(856)	(5.947)	--	(6.803)
Reversal of impairments	--	--	--	--	688	9.011	--	9.699
Transfers (*)	(17.296)	(2.043)	--	--	1.926	347	(18.400)	(35.466)
Balance at 31 December 2019	**15.384**	**5.435**	**369**	**57**	**81.249**	**105.740**	**1.546**	**209.780**
Accumulated depreciation and impairment losses								
Balance at 1 January 2019	--	(3.892)	(369)	(53)	(61.176)	(76.283)	--	(141.773)
Change for the period	--	(64)	--	(4)	(8.050)	(9.438)	--	(17.556)
Disposals	--	--	--	--	4.441	4.910	--	9.351
(Allowance for) / reversal of impairment, net (**)	--	--	--	--	590	(655)	--	(65)
Balance at 31 December 2019	**--**	**(3.956)**	**(369)**	**(57)**	**(64.195)**	**(81.466)**	**--**	**(150.043)**
Net carrying amount at 1 January 2019	**32.051**	**2.511**	**--**	**4**	**19.382**	**25.582**	**10.054**	**89.584**
Net carrying amount at 31 December 2019	**15.384**	**1.479**	**--**	**--**	**17.054**	**24.274**	**1.546**	**59.737**

(*) As of December 31, 2019, the company rented a part of the land and building, so the leased part was classified from property, plant and equipment to TL 19,339 of investment properties. In addition, as of 31 December 2019, tangible assets amounting to TL 16,127 were classified from intangible assets.
(**)As of 31 December 2019, the impairment loss calculated for property, plant and equipment is TL 6.803 (2018: TL 7.670) Amount of impairment reversed during the period is TL 9.699 (2018: TL 11.500). Included in marketing expenses of TL 8.947 (2018: TL 9.029) and general administrative expenses of TL 8.609 (2018: TL 10.181) are amortization charges.
(***)The Company's freehold land and building are stated at their revalued amounts, being the fair value at the dale of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and building as at 10 January 2019 were performed by Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş., independent valuers not related to the Company. Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş. has been authorized by and a member of CMB, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value increase of 626 TL (2018: 5.546 TL) and 415 TL (2018: 40 TL) for the land and building used by the Company in real estate are recorded in the revaluation and measurement gains account under equity. For the related land and the part of the building held for investment purposes, an impairment of 560 TL and a gain of 1.514 TL were recorded under the profit or loss statement, respectively. As of 31 December 2019, if the lands and buildings measured with the revaluation model are accounted for using the cost model method, their net book values are 3.444 TL and 5.913 TL, respectively .(31 December 2018: 3.444 TL and 5.377 TL).

As at 31 December 2019, total insurance amount over property, plant and equipment is TL 37.990 (31 December 2018: TL 33.243). As at 31 December 2019 and 31 December 2018 there is no mortgage on property, plant and equipment.

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2018 are as follows:

Cost	Land	Building	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2018	**26.505**	**6.323**	**369**	**57**	**80.926**	**104.128**	**1.150**	**219.498**
Additions	--	--	--	--	4.923	6.257	12.587	23.676
Revaluation surplus	5.546	40	--	--	--	--	--	5.586
Disposals	--	--	--	--	(6.133)	(12.914)	--	(19.047)
Allowance of impairments	--	--	--	--	(1.084)	(6.586)	--	(7.670)
Reversal of impairments	--	--	--	--	1.287	10.213	--	11.500
Transfers from construction in progress(*)	--	--	--	--	639	767	(3.683)	(2.277)
Balance at 31 December 2018	**32.051**	**6.403**	**369**	**57**	**80.558**	**101.865**	**10.054**	**231.357**
Accumulated depreciation and impairment losses								
Balance at 1 January 2018	--	(3.835)	(352)	(46)	(58.366)	(71.978)	--	(134.577)
Change for the period	--	(57)	(17)	(7)	(9.206)	(9.923)	--	(19.210)
Disposals	--	--	--	--	5.939	7.621	--	13.560
(Allowance for) / reversal of impairment, net (**)	--	--	--	--	457	(2.003)	--	(1.546)
Balance at 31 December 2018	**--**	**(3.892)**	**(369)**	**(53)**	**(61.176)**	**(76.283)**	**--**	**(141.773)**
Net carrying amount at 1 January 2018	**32.051**	**2.528**	**17**	**11**	**22.560**	**32.150**	**1.150**	**84.921**
Net carrying amount at 31 December 2018	**32.051**	**2.511**	**--**	**14**	**19.382**	**25.582**	**10.054**	**89.584**

(*)As at 31 December 2018, the Company made an analyze of the classification of tangible and intangible assets and considered the changes as transfers between accounts.

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NOTE 14 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated depreciation for the year ended 31 December 2019 and 2018 are as follows:

Cost	Licences-rights and computer softwares	Total
Balance at 1 January 2019	**104.124**	**104.124**
Additions	14.822	14.822
Transfers (*)	16.127	16.127
Disposals	(14.034)	(14.034)
(Allowance for) / reversal of impairment, net	76	76
Balance at 31 December 2019	**121.115**	**121.115**
Accumulated amortisation and impairment losses		
Balance at 1 January 2019	(77.125)	(77.125)
Charge for the period	(15.265)	(15.265)
Disposals	7.164	7.164
Allowance for) / reversal of impairment, net	(76)	(76)
Balance at 31 December 2019	**(85.302)**	**(85.302)**
Net book value as at 1 January 2019	**26.999**	**26.999**
Net book value as at 31 December 2019	**35.813**	**35.813**

Cost	Licences-rights and computer softwares	Total
Balance at 1 January 2018	**88.777**	**88.777**
Additions	13.395	13.395
Transfers	2.277	2.277
Disposals	(325)	(325)
Balance at 31 December 2018	**104.124**	**104.124**
Accumulated amortisation and impairment losses		
Balance at 1 January 2018	(64.593)	(64.593)
Charge for the period	(12.803)	(12.803)
Disposals	271	271
Balance at 31 December 2018	**(77.125)**	**(77.125)**
Net book value as at 1 January 2018	**24.184**	**24.184**
Net book value as at 31 December 2018	**26.999**	**26.999**

(*) As at 31 December 2019 and 2019, the Company made an analyze of the classification of tangible and intangible assets and considered the changes as transfers between accounts.

Amortisation expenses amounting to TL 7.485 (2018: TL 8.687) are included in marketing expenses and TL 7.780 (2018: TL 4.116) are included in general administrative expenses.

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

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

	31 December 2019	31 December 2018
Accrued salaries	9.769	6.721
Social security premiums payable	5.273	7.095
Income taxes payable	2.889	1.827
	17.931	**15.643**

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

Short-term provisions	31 December 2019	31 December 2018
Provision for sales personnel premium	5.016	2.966
Provision for unused vacation	3.581	2.977
Provision for other premium	1.572	1.386
	10.169	**7.329**

Long-term provisions	31 December 2019	31 December 2018
Provision for employee termination benefit	8.776	6.386
Provision for other premium	1.195	1.884
	9.971	**8.270**

Provisions for employment benefits

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

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

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NOTE 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 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4,55 % real discount rate (31 December 2018: 4.55%) calculated by using 10,00% annual inflation rate and 15,00% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel for 0-15 years are taken into consideration as 16,05 % and 9,63%, respectively (31 December 2018: 18.63% and 10.23%), and 0% for employees working for 16 years and over. Ceiling for retirement pay is revised semi-annually. Probability has been determined as 100% for employees whose insurance register began before December 1999 (128 personnel) and the provision has been calculated accordingly.

Ceiling amount of TL 6.730,15 which is effective since 1 January 2019 is used in the calculation of Company's provision for retirement pay liability (2018: TL 6.017,60).

The movement of employment termination benefit provision for the year ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Opening balance, 1 January	6.386	5.694
Service cost	742	603
Interest cost	7.939	3.078
Actuarial (gain) / loss	1.351	792
Paid compansation during the year	(7.642)	(3.781)
	8.776	**6.386**

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NOTE 16 – PROVISIONS

The details of the other short term provisions as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Provisions for ongoing litigation (*)	7.040	10.711
Provision for cancellation of rent agreements (**)	1.023	3.988
Other	2.436	3.100
	10.499	**17.799**

(*) Provision for ongoing litigation is comprised of lawsuits filed by consumers and former employees against the Company.
(**) Provision for cancellation of rent agreements is comprised of penalties to be paid to landlords related to store closures before the termination date of the rent agreements. For the year ended 31 December 2019, the Company paid the penalties with a discount as a result of the negotiations with the landlords. The provision for cancellation of rent agreements recognised as at 31 December 2018 were released and income amounting to TL 1.226 is recognised as other income from operating activities in the accompanying financial statements (Note 22).

The movement of provisions for ongoing litigation and cancellation of rent agreements for the year ended 31 December 2019 and 2018 are as follows:

	1 January 2019	1 January- 31 December 2019 addition	1 January- 31 December 2019 paid/reversal provisions	31 December 2019
Provision for cancellation of rent agreements	3.988	284	(3.249)	1.023
Provisions for ongoing litigation	10.711	956	(4.627)	7.040
Reemployment	*4.918*	*956*	*(2.148)*	*3.726*
Consumer lawsuits	*2.059*	--	*(47)*	*2.012*
Provisions for rent lawsuit	*3.734*	--	*(2.432)*	*1.302*
	14.699	**1.240**	**(7.876)**	**8.063**

	1 January 2018	1 January- 31 December 2018 addition	1 January- 31 December 2018 paid/reversal provisions	31 December 2018
Provision for cancellation of rent agreements	2.313	3.988	(2.313)	3.988
Provisions for ongoing litigation	10.208	2.957	(2.454)	10.711
Reemployment	*5.287*	*1.264*	*(1.633)*	*4.918*
Consumer lawsuits	*1.491*	*568*	--	*2.059*
Provisions for rent lawsuit	*3.430*	*1.125*	*(821)*	*3.734*
	12.521	**6.945**	**(4.767)**	**14.699**

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NOTE 17 – COMMITMENTS

Collateral, pledge, mortgage position

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

CPMs given by the Company	31 December 2019			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	431.907	7.026	4.793	358.293
- Collaterals	418.804	6.976	4.307	348.721
- Pledges	--	--	--	--
- Mortgages	9.572	--	--	9.572
- Letter of credit	3.531	50	486	--
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	--	--	--	--
D. Total amount of other CPM	--	--	--	--
Total CPM	**431.907**	**7.026**	**4.793**	**358.293**

CPMs given by the Company	31 December 2018			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	248.521	7.632	4.700	180.038
- Collaterals	234.139	7.632	4.700	165.656
- Pledges	--	--	--	--
- Mortgages	14.382	--	--	14.382
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	--	--	--	--
D. Total amount of other CPM	--	--	--	--
Total CPM	**248.521**	**7.632**	**4.700**	**180.038**

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

As at 31 December 2019 and 31 December 2018, 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.

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NOTE 18 – OTHER CURRENT ASSETS AND LIABILITIES

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

Other current assets	31 December 2019	31 December 2018
Deferred vat	23.989	--
Advances given	482	343
Personnel advances	132	115
Other current assets	289	669
	24.892	**1.127**

Other current liabilities	31 December 2019	31 December 2018
Other expense accruals (*)	2.237	496
Value added tax ("VAT") payable	--	13.385
Other liabilities and obligations	546	417
	2.783	**14.298**

(*) Other expense accruals comprised of irrecoverable gift checks which were given and used Teknosacell subscription who withdraw subscription subsequently and other various expense accruals.

NOTE 19 – SHAREHOLDERS' EQUITY

The Company's approved and the issued share capital consists of 11.000.000.000 shares of 1 Kr nominal value.

The details of the shareholder's equity structure as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	Share	%	Share	%
Hacı Ömer Sabancı Holding A.Ş.	66.310	60.28228	66.310	60.28228
Dilek Sabancı	5.735	5.21327	5.735	5.21327
Sevil Sabancı	--	--	5.735	5.21327
Other	37.955	34.50445	32.220	29.29118
Nominal share capital	**110.000**	**100**	**110.000**	**100**
Adjustment for capital	6.628		6.628	
Adjusted capital	**116.628**		**116.628**	

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NOTE 19 – SHAREHOLDERS' EQUITY (Continued)

Restricted reserves

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

Legal reserves as mentioned above shall be classified as "Restricted Reserves Appropriated from Profit" according to Capital Markets Board financial reporting standards. The details of legal reserves are stated below as of 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Legal reserves	8.704	8.704
	8.704	**8.704**

Profit Distribution

Public companies distribute profit in accordance with Profit Share Communique no 11-19.1 issued by CMB effective from 1 February 2014.

Companies distribute their profit due to profit distribution policies set by the general assembly in accordance with the related legislation verdicts with a general assembly minute. Within the extent of the communique mentioned above a minimal distribution rate is not designated. Companies distribute their profits in accordance with their main agreements of profit distribution policies.

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

Gains on revaluation of property, plant and equipment

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

The movements of revaluation of property,plant and equipment for the year ended 31 December 2019 and 2018 are as follows:

	2019	2018
Opening balance	27.209	21.908
Fair value increase	940	5.301
Closing Balance	**28.149**	**27.209**

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NOTE 19 – SHAREHOLDERS' EQUITY (Continued)

Gain / (losses) on remeasurement of defined benefit plans

As of 31 December 2019, actuarial loss amounting to TL 4.282 (31 December 2018: TL 3.201) is recognized as other comprehensive income.

NOTE 20 - REVENUE

The details of revenue and cost of revenue for the year ended 31 December 2019 and 2018 are as follows:

Revenue (net)	**1 January – 31 December 2019**	**1 January – 31 December 2018**
Retail sales	3.904.213	3.222.712
Dealer sales	232.758	254.308
	4.136.971	**3.477.020**

Cost of revenue	**1 January – 31 December 2019**	**1 January – 31 December 2018**
Cost of trading goods sold	(3.402.864)	(2.818.263)
Installation and warranty expenses	(19.510)	(12.971)
	(3.422.374)	**(2.831.234)**

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NOTE 21 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for the year ended 31 December 2019 and 2018 are as follows:

Marketing expenses	1 January – 31 December 2019	1 January – 31 December 2018
Personnel expenses	(172.025)	(145.664)
Depreciation and amortisation expenses	(113.430)	(17.716)
Rent expenses	(62.737)	(184.694)
Advertising and promotion expenses	(57.739)	(56.840)
Transportation expenses	(21.924)	(20.637)
Energy, fuel and water expenses	(16.073)	(12.886)
Consultancy expenses	(13.258)	(5.769)
Maintenance and cleaning expenses	(6.733)	(6.583)
Communication expenses	(1.208)	(1.500)
Travel and accommodation expenses	(1.183)	(1.274)
Other expenses	(15.956)	(13.427)
	(482.266)	**(466.990)**

The details of administrative expenses for the year ended 31 December 2019 and 2018 are as follows:

General administrative expenses	1 January – 31 December 2019	1 January – 31 December 2018
on expenses	(19.868)	(14.297)
Personnel expenses	(16.902)	(18.803)
IT expenses	(12.006)	(12.073)
Consultancy expenses	(5.041)	(3.454)
Rent expenses	(386)	(5.006)
Maintenance and cleaning expenses	(572)	(506)
Travel expenses	(449)	(418)
Energy, fuel, water expenses	(139)	(187)
Other expenses	(1.747)	(1.382)
	(57.110)	**(56.126)**

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NOTE 22 – OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

The details of other income from operating activities for the year ended 31 December 2019 and 2018 are as follows:

Other income from main operating activities	1 January – 31 December 2019	1 January – 31 December 2018
Unearned interest income from trading activities	18.292	24.262
Foreign exchange gains	9.733	36.227
Impairment/cancellation of fixed asset (net)	2.831	2.284
Gains from unused gift checks	1.313	1.220
Reversal of provisions for cancellation of rent agreements (*)	1.226	1.348
Income from personnel	771	885
Gains from insurances	--	2.216
Other income	5.881	3.442
	40.047	**71.884**

(*)Reversal of provisions for cancellation of rent agreements is comprised of the remaining amount released as a result of a settlement or the penalty payments with a discount to the landlords.

The details of other expense from operating activities for the year ended 31 December 2019 and 2018 are as follows:

Other expense from operating activities	1 January – 31 December 2019	1 January – 31 December 2018
Deferred interest expense from trading activities	(141.067)	(97.801)
Foreign exchange losses	(15.541)	(34.239)
Litigation expenses	(5.341)	(9.233)
Early termination rent penalties	(3.633)	(3.023)
Other expenses and losses	(9.419)	(440)
	(175.001)	**(144.736)**

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NOTE 23 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of investment income/expense for the year ended 31 December 2019 and 2018 are as follows:

Income from investing activities

	1 January – 31 December 2019	1 January – 31 December 2018
Investment property revaluation surplus	1.514	--
Interest income on time deposits	124	187
Gain from sale of fixed assets	86	129
	1.724	**316**

Expense from investing activities

The details of other expenses from operating activities for the year ended 31 December 2019 and 2018 are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Loss from sale of fixed assets	(8.404)	(5.544)
Revaluation loss from land and building on investment property (*)	(560)	(1.267)
	(8.964)	**(6.811)**

(*)As of 31 December 2019, the Company has received a valuation report for its investment properties. For the mentioned land and the part of the building held for investment purposes, an impairment of 560 TL (2018: 1.267 TL) and a value gain of 1.514 TL (2018: None.) were recorded under income / expenses from investment activities.

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NOTE 24 – FINANCE COSTS

The details of finance costs for the year ended 31 December 2019 and 2018 are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Interest expense due lease liabilities	(76.527)	--
Credit card commission expenses	(63.688)	(28.400)
Credit card discount expenses	(37.678)	(25.567)
Interest and commission expenses	(33.627)	(42.826)
Guarantee letters commission expenses	(1.673)	(1.031)
Other finance costs	(283)	(264)
	(213.476)	**(98.088)**

NOTE 25 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

Corporate income tax:

In Turkey, corporate tax rate is 22% as of 31 December 2019 (2018: 22%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2018: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2019. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

In Turkey, temporary corporate tax is calculated and filed quarterly. Losses can be carried forward for a maximum period of five years to offset against future taxable income. However, losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, inspect tax returns and the related accounting records and may revise assessments within five years.

As of 31 December 2019 and 2018, the Company has no income tax liabilities.

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NOTE 25 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

Corporate income tax: (Continued)

Exceptions from corporate income tax

As of December 31 2019, 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.

Tax income / (expenses) for the year ended 31 December 2019 and 2018 are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Tax expense:		
Corporate tax expense of the current period	--	--
Deferred tx expenses:		
Deferred tax (expenses) / income from temporary differences	29.253	(10.123)
	29.253	**(10.123)**

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. According to the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on 5 December 2017 corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

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NOTE 25 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (continued)

Deferred tax assets and liabilities (continued)

The details of the deferred tax assets and liabilities calculation by using effective tax rates for the year ended 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Prior year losses	54.143	28.660
Inventories	8.187	8.585
Right of use assets	7.863	
Kliksa transfer expenses	3.656	3.713
Expense accruals	4.002	2.853
Provision for cancellation of rent agreements	529	2.042
Litigations	1.500	1.988
Provision for reconciliation differences	1.342	1.342
Provision for employment termination benefits	1.755	1.150
Provision for unused vacations	788	655
Discount expenses	108	227
Withdrawal fees	362	195
Income accruals	(832)	(854)
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(10.500)	(5.127)
Discount income	(2.195)	(4.132)
Other	209	201
Total deferred tax assets / (liabilities)	**70.917**	**41.498**

The movements of deferred tax asset as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Opening balance at 1 January	41.498	51.815
Current year (loss) / income	29.253	(10.123)
Other comprehensive income / (loss)	166	(194)
Closing balance at 31 December	**70.917**	**41.498**

At the balance sheet date, the Company has unused tax losses of TL 270.714 (2018 TL 143.291) available for offset against future profits. A deferred tax asset has been recognized in respect of TL 54.143 (2018: TL 28.660) of such losses.

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NOTE 25 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (continued)

Carry forward lax losses

The expiration dates of such carry forward tax losses are as follows:

	31 December 2019	31 December 2018
Expires at 2021	94.668	94.668
Expires at 2023	48.623	48.623
Expires at 2024	127.423	--
	270.714	**143.291**

The reconciliation of the current period tax (expenses) / income and operating profit as follows

		31 December 2019		31 December 2018
Operating profit/ (loss) before income tax		(177.888)		(54.491)
Effective tax rate		22%		22%
Calculated tax		39.135		11.987
Reconciliation of tax provision:	%1	(2.667)	%6	(3.439)
-Exemptions and discounts				
-Reversal of previous year tax losses	*%1*	*(439)*	*%32*	*(17.237)*
- Permanent differences not included in deferred tax calculation	*%2*	*(4.209)*	*%0*	*--*
-Effect of change in tax rate	*%2*	*(2.548)*	*%2*	*(826)*
-Other	*%1*	*(19)*	*%1*	*(608)*
Tax (expenses) / income on income statement	**(%16)**	**29.253**	**%19**	**(10.123)**

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NOTE 26 – EARNINGS / (LOSS) PER SHARE

Weighted average number of shares and basic earnings per share for the year ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Weighted average number of ordinary shares outstanding during the period (in full)	11.000.000.000	11.000.000.000
Profit/(loss) for the year attributable to owners of the company	(148.634)	(64.609)
Basic (loss) / earnings per share from continuing operations		
-thousands of ordinary shares (thousands TL)	0,0135	0,0059
Basic (loss) / diluted earnings per share from continuing operations		
-thousands of ordinary shares (thousands TL)	0,0135	0,0059

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

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

	31 December 2019	31 December 2018
Total financial liabilities	463.159	8.500
Minus: Cash and cash equivalents	(37.267)	(26.987)
Financial liabilities,net	**425.892**	**(18.487)**
Total equity	(251.853)	(103.078)
Financial liabilities,net / equity	**(169 %)**	**18 %**

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors

Credit risk

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

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

b.1) Credit risk management

The credit risk as a financial risk factors as at 31 December 2019 is as follows:

	Receivables		
Credit risk of financail instruments	Trade Receivables		Deposits at bank and credit card receivables
31 December 2019	Related Parties	Third Parties	
Maximum credit risk as of balance sheet date [*]	677	65.685	34.591
-The part of maximum risk under guarantee with collateral etc. [**]	--	83.592	--
A.Net book value of financial assets that are neither past due nor impaired	677	54.324	34.591
B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	--	4.372	--
C.Net book value of impaired assets	--	--	
-Past due (gross carrying amount)	--	6.989	--
'-Impairment (-)	--	(6.989)	--
'-The part of net value under guarantee with collateral etc.	--	--	--
-Not past due (gross carrying amount)	--	--	--
'-Impairment (-)	--	--	--
'- The part of net value under guarantee with collateral etc.	--	--	--
D.Off-balance sheet items with credit risk	--	--	--

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

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

b.1) Credit risk management (continued)

The credit risk as a financial risk factors as at 31 December 2018 is as follows:

	Receivables		
Credit risk of financail instruments	Trade Receivables		Deposits at bank and credit card receivables
31 December 2018	Related Parties	Third Parties	
Maximum credit risk as of balance sheet date (*)	1.764	64.011	24.259
-The part of maximum risk under guarantee with collateral etc. (**)	--	79.722	--
A.Net book value of financial assets that are neither past due nor impaired	1.764	50.072	24.259
B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	--	4.293	--
C.Net book value of impaired assets	--	--	
-Past due (gross carrying amount)	--	9.646	--
'-Impairment (-)	--	(9.646)	--
'-The part of net value under guarantee with collateral etc.	--	--	--
-Not past due (gross carrying amount)	--	--	--
'-Impairment (-)	--	--	--
'- The part of net value under guarantee with collateral etc.	--	--	--
D.Off-balance sheet items with credit risk	--	--	--

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

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Explanations on the credit quality of financial assets

As of 31 December 2019 and 2018, 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 2019	31 December 2018
Past due 1-30 days	1.718	627
Past due1-3 months	1.424	2.552
Past due 3-12 months	1.230	1.114
Total past due receivables	**4.372**	**4.293**
The part of maximum risk under guarantee with collateral.	2.535	2.003

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 2.346.635 that the Company can utilize whenever needed as of 31 December 2019 (2018: TL 2.299.654).

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

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

31 December 2019	**Book value**	**Total contract based cash outflow (I+II+III)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 years (III)**
Non-derivative financial liabilities					
Trade payables	1.232.640	1.232.640	1.232.640	--	--
Related parties	*5.475*	*5.475*	*5.475*	--	--
Third parties	*1.227.165*	*1.227.165*	*1.227.165*	--	--
Loans	105.521	105.521	105.521	--	--
Lease Liabilities	357.638	357.638	20.658	84.720	272.918
Other payables	2.349	2.349	2.349	--	--
Total liabilities	**1.698.148**	**1.698.148**	**1.361.168**	**84.720**	**272.918**

31 December 2018	**Book value**	**Total contract based cash outflow (I+II+III)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 years (III)**
Non-derivative financial liabilities					
Trade payables	777.142	777.142	777.142	--	--
Related parties	*4.738*	*4.738*	*4.738*	--	--
Third parties	*772.404*	*772.404*	*772.404*	--	--
Loans	8.500	8.500	8.500		
Other payables	1.990	1.990	1.990	--	--
Total liabilities	**787.632**	**787.632**	**787.632**	**--**	**--**

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Notes to the Financial Statements as at and for the Year Ended 31 December 2019

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Foreign currency risk

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

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

Foreign Currency Position	31 December 2019			
	TL equivalent	USD	EUR	Other
1. Trade receivable	1.944	269	52	--
2a.Monetary financial assets (including cash on hand and bank accounts)	2.908	175	281	--
2b.Non monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS (1+2+3)	**4.852**	**444**	**333**	**--**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	351	58	1	--
7. Other	--	--	--	--
8. NON CURRENT ASSETS (5+6+7)	**351**	**58**	**1**	**--**
9. TOTAL ASSETS (4+8)	**5.203**	**502**	**334**	**--**
10. Trade payables	(12.051)	(1.526)	(449)	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	--	--	--	--
12b. Non monetary other liabilities	(2.193)	(367)	(2)	--
13. CURRENT LIABILITIES (10+11+12)	**(14.244)**	**(1.893)**	**(451)**	**-**
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non monetary other liabilities	--	--	--	--
17. NON CURRENT LIABILITIES (14+15+16)	**--**	**--**	**--**	**--**
18. TOTAL LIABILITIES (13+17)	**(14.244)**	**(1.893)**	**(451)**	**-**
19. Net position of financial statement (9+18)	**(9.041)**	**(1.391)**	**(117)**	**--**
20. Net position of foreign currency derrivatives	**--**	**--**	**--**	**--**
21. Net position of foreign currency asset / (liability) (19+20)	**(9.041)**	**(1.391)**	**(117)**	**--**
22. Net position of monetary foreign currency asset / (liability) (19)-(3+7)	**(9.392)**	**(1,449)**	**(118)**	**--**

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

Teknosa İç ve Dış Ticaret Anonim Şirketi

Notes to the Financial Statements as at and for the Year Ended 31 December 2019

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Foreign currency risk (continued)

Foreign Currency Position	31 December 2018			
	TL equivalent	USD	EUR	Other
1. Trade receivable	1.528	152	120	109
2a.Monetary financial assets (including cash on hand and bank accounts)	53	2	7	--
2b.Non monetary financial assets	--	--	--	--
3. Other	5.086	536	376	--
4. CURRENT ASSETS (1+2+3)	**6.667**	**690**	**503**	**109**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. NON CURRENT ASSETS (5+6+7)	**--**	**--**	**--**	**--**
9. TOTAL ASSETS (4+8)	**6.667**	**690**	**503**	**109**
10. Trade payables	(7.558)	(1.541)	91	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	--	--	--	--
12b. Non monetary other liabilities	(1.974)	(389)	12	--
13. CURRENT LIABILITIES (10+11+12)	**(9.532)**	**(1.930)**	**103**	**-**
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non monetary other liabilities	--	--	--	--
17. NON CURRENT LIABILITIES (14+15+16)	**--**	**--**	**--**	**--**
18. TOTAL LIABILITIES (13+17)	**(9.532)**	**(1.930)**	**103**	**-**
19. Net position of financial statement (9+18)	**(2.865)**	**(1.240)**	**606**	**109**
21. Net position of foreign currency asset / (liability) (19+20)	**(2.865)**	**(1.240)**	**606**	**109**
22. Net position of monetary foreign currency asset / (liability) (19)-(3+7)	**(5,464)**	**(1,387)**	**218**	**109**

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Foreign currency risk (continued)

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising primarily from USD and EUR. The following table demonstrates the sensitivity of the Company to a possible change of 10% in US dollar and EUR rates. 10% is the rate is a reasonable rate as it is limited with 10% share capital commitment. Sensitivity analysis based on the foreign exchange risk at the reporting date, is identified with the changes at the beginning of the fiscal year and kept constant during the fiscal period. Negative value implies the effect of 10% increase in USD and in EUR foreign currency rates against TL on the decrease in the net profit.

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

Foreign Currency Sensitivity Table	31 December 2018	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	(652)	652
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**(652)**	**(652)**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	365	(365)
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**365**	**(365)**
In case 10% appreciation of other currency against TL		
7- Net assets/liabilities in other foreign currency	1	(1)
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	**--**	**--**
TOTAL (3 + 6 +9)	**(286)**	**286**

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

NOTE 28 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

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

31 December 2019	Financial assets at amortized cost	Derivative financial instruments	Financial liabilities at amortised cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	37.267	--	--	37.267	5
Trade receivables (including due from related parties)	66.362	--	--	66.362	7
Other receivables	496	--	--	496	8
Financial liabilities					
Financial liabilities	--	--	105.521	105.521	6
Lease liabilities	--	--	357.637	357.637	6
Trade payables (including due to related parties)	--	--	1.232.640	1.232.640	7
Other payables	--	--	2.349	2.349	8

31 December 2018	Financial assets at amortized cost	Derivative financial instruments	Financial liabilities at amortised cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	26.987	--	--	26.987	5
Trade receivables (including due from related parties)	65.775	--	--	65.775	7
Other receivables	581	--	--	581	8
Financial liabilities					
Financial liabilities	--	--	8.500	8.500	6
Trade payables (including due to related parties)	--	--	777.142	777.142	7
Other payables	--	--	1.990	1.990	8

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

NOTE 29 – EVENTS AFTER THE REPORTING PERIOD

The Company made a material disclosure on Public Disclosure Platform on 20 February 2020 in accordance with the CMB's principal decision 10 April 2014 dated and numbered 11/352 as detailed below:

"The Company issued its financial statements as at 31 December 2019 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL (-) 202.002.428 and the brand value which is the off-balance sheet asset of the Company amounting to full TL 315.159.000 are considered in accordance with the CMB's principal decision numbered 2014/11. There is no change in the negative equity status of the Company in these financial statements which are prepared in accordance with above mentioned the CMB regulations. As a result, statement of financial position is prepared in accordance with the related article of TCC 376 based on the CMB's principal decision numbered 2014/11.

The brand value is included in the statement of financial position prepared in accordance with the related article of TCC 376. Equity of this statement in the financial position prepared in accordance with the related article of TCC 376 is amounting to full TL (+) 113.156.572 This indicates that the Company maintains its share capital amounting to TL 110.000.000 in full."

The Company has closed 3 stores dates between balance sheet date and 20 February 2020, As a result of these store closures, the Company's retail space decreased by 1.028 square meters.

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