TEKNOSA

Technology for everyone

2012 ANNUAL REPORT

TEKNOSA AT A GLANCE

Teknosa is an electronics retailer aiming to offer its customers technology products for the **"most reasonable prices"**, and with the **"best service quality"** possible.

Teknosa has achieved steady growth since its foundation, and due to its widespread penetration, superior service quality, and product diversity, it has become the leading electronics retailer in Turkey.

Having realized its initial public offering in 2012, Teknosa aims to further solidify its leadership position in the coming period by expanding its retail network, and product range as well as by further improving its service quality.

Teknosa will continue to offer its customers fast, reliable, uninterrupted, and high quality service through its 283 stores spread across 77 cities, its online stores, teknosa.com and kliksa.com., and with its after-sales support team.

CONTENTS

A 3D PERFORMANCE APPROACH

Teknosa started its operations in 2000 with 5 stores, and today the Company offers its customers a unique shopping experience with 3,700 employees, at 283 stores spread across 77 cities in Turkey.

Teknosa's strong performance and steady growth stem from 3 major motives:

- **Placing the customer in the center of its operations,**
- **Business management focused on sustainable success, and**
- **High level of awareness of corporate citizenship.**

The only winner of the Retail Oscars from Turkey

Winner of the **"Emerging Market Retailer of the Year"** award at World Retail Awards, Oscars of the Retail industry

A rich variety of store formats ranging from **80** m^2 to **6,000** m^2

TEKNOSA

TEKNOSA extra

TEKNOSA exxtra

Market leader of the electronics retailing sector

14%

MARKET SHARE

Strong net sales

2,330

TL MILLION TURNOVER

Increasing comparable profitability despite tough competition

52%

INCREASE IN NET PROFIT

Strong net cash position

355

TL MILLION

Highly qualified employees, each trained at Teknosa Academy

3,700

EMPLOYEES

Competitive platforms in the area of e-commerce

kliksa.com

teknosa.com

Turkey's most widespread and largest electronics retailer

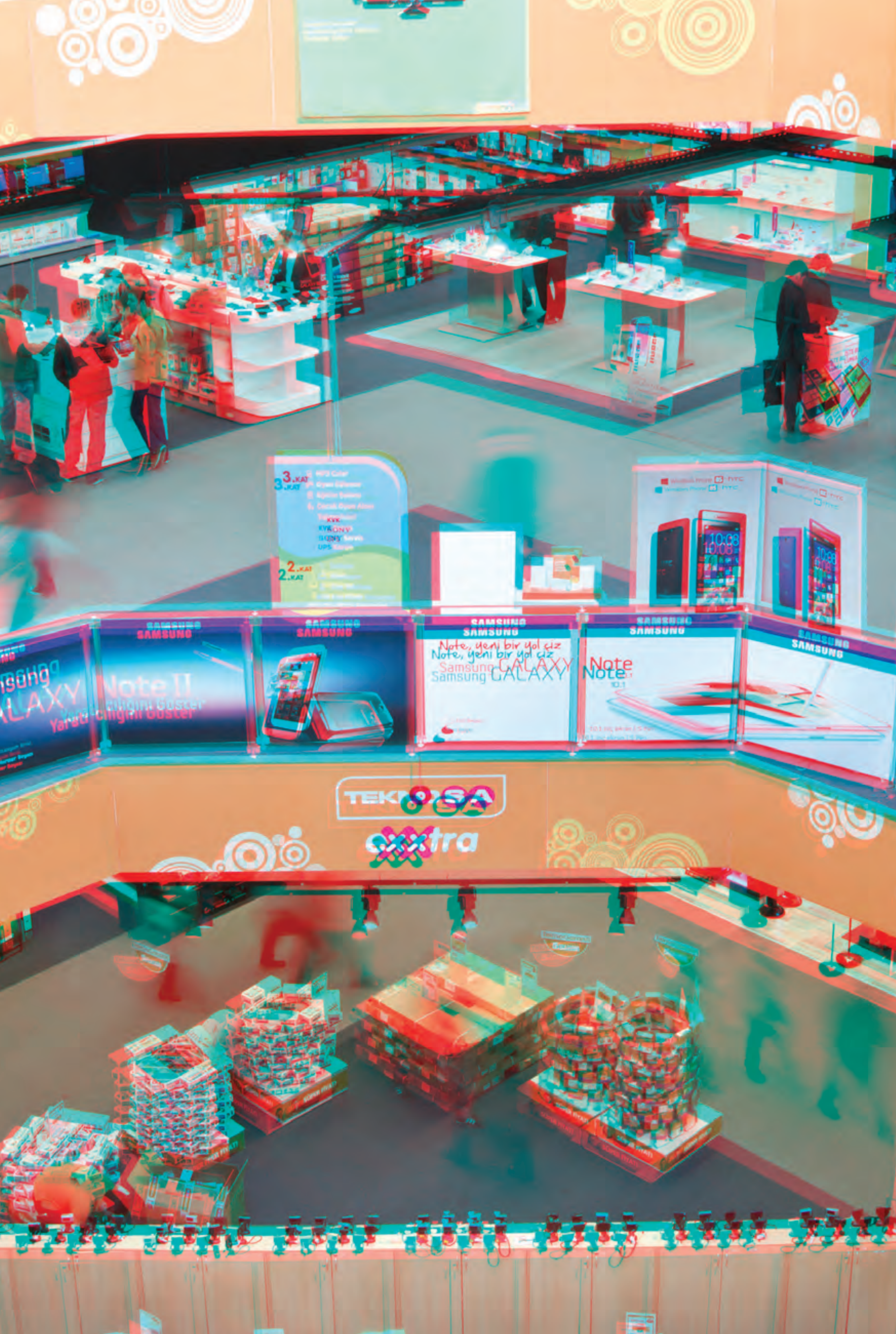
77 cities

With its 283 stores spread across 77 cities in Turkey, Teknosa offers its customers tens of thousands of products from hundreds of global and local brands.

140 thousand m² store area

283 Stores


SONY
PlayStation Move


SAMSUNG
Note II
SAMSUNG
Note, yeni bir yol çiz
Samsung GALAXY Note
TEKNOSA
extra


TEKNO
ASUS ZEN

TEKNOSA IN BRIEF

Teknosa has become the leader player of technology retailing sector through drawing strength from Sabancı Holding's specialization and deep rooted corporate culture.

Teknosa continues to take solid steps to advance in its sector on the strength of its widespread penetration, superior service quality, reliability, rapid growth and product diversity, as well as its dynamic, innovative and entrepreneurial company structure.

Established in 2000 under Hacı Ömer Sabancı Holding A.Ş., Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa", or the "Company"), is an electronics retailer aiming to offer its customers related products at the most reasonable prices, and with best service quality.

Embracing the philosophy "Technology for Everyone", Teknosa continues to take solid steps to advance in its sector on the strength of its widespread penetration, superior service quality, reliability, rapid growth and product diversity, as well as its dynamic, innovative, and entrepreneurial company structure. Always adhering to the principles of high quality and growth, Teknosa is a pioneering and leading Electronics Retailer that embraces the future together with its employees, stakeholders, and customers.

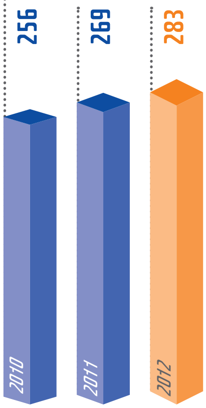
Teknosa runs its operations under three groups, such as retailing, dealer network, and e-commerce. The retail stores offer consumer electronics, photo, IT, telecom, and white goods. Having celebrated its 12th anniversary in 2012, Teknosa is Turkey's first, and the most widespread electronics retailer. The Company launched its operations in 2000 with five stores, and currently operates across 77 cities with 283 stores, covering a retail space of over 140 thousand m^2, and with 3,700 employees.

The dealer network meanwhile, offers customers air conditioners, white goods, and cash registers. Air conditioner sales are carried out under the İklimsa brand.

Teknosa carries out e-commerce operations via Teknosa.com, which was established in 2003 and started to operate in 2005, and also via Kliksa.com operated by Klik İç ve Dış Tic. A.Ş., which was established in 2012 as a subsidiary of Teknosa.

TEKNOSA IN BRIEF

NUMBER OF STORES



Teknosa shares have been traded on the Istanbul Stock Exchange since May 17, 2012.

In 2012 Teknosa not only succeeded in maintaining its sector leadership, but also achieved significant growth in terms of both profitability and turnover. With a turnover of over TL 2.3 billion, the Company strengthened its market leadership. Teknosa reported a net profit of TL 50.2 million, corresponding to a 52% increase in net profit. Additionally, the Company's EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) also increased by 38%. Teknosa's market share among TSS (Technology Super Stores) is 42%, and its overall market share is 14%. Operating with negative working capital, Teknosa has TL 355 million in cash as of December 31, 2012.

Teknosa estimates that the overall market will continue to grow over the next five years, and predicts that its 2013 growth will surpass that of the overall market. The Company plans to increase its market share to 20% from 14% in the medium term.

VISION, MISSION AND VALUES

Vision

To act as the leading electronics retailer in the region, through "Innovative" and "Exclusive" products and services.

Mission

To always generate the exceptional customer experience with highly penetrated sales channels, a diverse portfolio of high quality products, and superior services.

Values

Teknosa is a young and dynamic company that prioritizes customer satisfaction, is strictly dedicated to ethical principles and social responsibilities, and one that initiates improvements.

Quality Policy

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

Complaints Policy

Teknosa evaluates all customer complaints and demands received via the Company's interactive channels, in a fair and objective manner within the boundaries of applicable laws and company policies under strict confidentiality. The Company continuously improves its complaints policy management to provide outstanding customer satisfaction.

A 3D CUSTOMER SATISFACTION APPROACH

1 BEFORE SALES

Supply chain guided by the Customer Experience Management Program

2 DURING SALES

Sales consultancy provided by the employees trained at Teknosa Academy in order to fulfill customers' needs.

3 AFTER SALES

24/7 after-sales support offered via Tekno Assist, 444 55 99 Call Center, and Happy Call.


KAMPANYA
3D

DEVELOPMENTS IN 2012

For Teknosa, which is closely monitored by domestic investors and also by global investors; a public offering means the assumption of greater responsibility in terms of growth, profitability, and transparency.

In 2012, 10% of Teknosa shares were offered to the public.
Teknosa's publicly-offered shares, valued at TL 11 million, have been traded on the Istanbul Stock Exchange in national market since May 17, 2012.

In a related communiqué, the Istanbul Stock Exchange (IMKB) announced the maximum lot size for the Company's tradable shares as 12 million 650 thousand, and set the base share price at TL 7,75. Total demand for Teknosa shares exceeded the public offering by 2.3 fold, and the IPO raised TL 98 million in total.

For Teknosa, which is closely monitored by domestic investors and also by global investors; a public offering means the assumption of greater responsibility in terms of growth, profitability, and transparency.

Teknosa invests in e-commerce
The year of 2012 marked a period of advancements for Teknosa in areas such as labor force, technology investments, resource transfers, and especially e-commerce. While the trading volume on **www.teknosa.com,** the corporate website, increased, the Company also launched a new e-commerce site, **www.kliksa.com.** Kliksa offers a wide range of products and services, mainly consumer electronics, and aims to carry Teknosa's leadership position as a electronics retailer to the online environment. The Company plans to reach a turnover of US$ 1 billion within the next 10 years, and hence, to become the leader among e-commerce companies in Turkey.

A consultant is appointed to seek the acquisition opportunities in the market

Teknosa, the leading electronics retailer in Turkey, has signed a consultancy agreement with an investment bank in order to assess possible acquisition opportunities. Teknosa took this step in line with the market's expectation of consolidation. The Company has previously resorted to acquiring the investments made by German Electronic Partner, and American Best Buy companies in Turkey.

A strategic cooperation agreement is signed with Euronics

Teknosa has maintained its leadership position in the domestic market for the past 12 years, and in 2012 the Company aims to further strengthen this position, while becoming a major player in the global retailing arena. With this purpose, the Company signed a strategic cooperation agreement with Euronics, Europe's largest buying group for consumer electronics, with an annual turnover of EUR 16.2 billion. Thanks to this agreement with Euronics, Teknosa gained access to a widespread network consisting of 11 thousand sales points across 31 countries. Indeed, it not only allowed Teknosa to open the door to Europe for both the sector overall and Turkish customers, but also provided a significant edge in terms of know-how transfer and relationship building in the global technology retailing arena.

The year of 2012 marked a period of advancements for Teknosa in areas such as labor force, technology investments, resource transfers, and especially e-commerce.

Teknosa maintains its steady growth and sector leadership

In 2012 Teknosa increased its turnover by 40%, reaching TL 2.3 billion. The Company has a 42% market share among technology super stores (TSS), and its overall market share also reached 14%. Additionally, the number of Turuncu Kart (Orange Card) holders increased to 3 million.

"Emerging Market Retailer of the Year"

Teknosa competed with the leading retailers of the world at the 2012 World Retail Congress, walking away with the prize for "Emerging Market Retailer of the Year" at the World Retail Awards, the most prestigious award on the global retailing scene.

Teknosa wins the IMA (Interactive Media Awards) award for its website design

Teknosa won the IMA award, one of the world's most esteemed interactive media awards granted by the IMA for its website design.

MILESTONES

Teknosa's journey to the future will continue with new achievements.

2000

5 stores

Teknosa launched its operations with 5 stores.

Establishment of teknosa.com.

2003

80 stores

2005

Teknosa Academy was established.

2006

152 stores

- The number of stores exceeded 150.
- The "Scientific Retailing Program" was initiated for operational efficiency and infrastructure projects.
- Dealership operations were organized under İklimsa brand.
- E-learning was initiated.

2007

- The number of stores exceeded 200.
- The Gebze Logistics Center commenced operations it a closed facility of 30,000 m^2.
- 5 stores of Electronic Partner, the German consumer electronics retailer, were acquired in Turkey.
- 2 music stores were acquired from Uzelli in Turkey.
- ISO 9001 (Quality Management System) certification was received.
- Under the Teknoasist program, another first for Turkey, after sales and product exchange/ return services were made available to customers.

200 stores

2008

Teknosa Academy received the "Best Human Resources Program" award at the Retail Sun Awards.

The Turuncu Kart (Orange Card) loyalty program was initiated.

Orange Card

2009

TEKNOSA **Exxtra**

- "Exxtra" stores were opened.
- ISO 27001 (Information Security Management) certification was received.

2010

The organization was restructured.

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

2011

- The operations of Best Buy, the American electronics retailer, in Turkey were acquired.
- Total turnover reached TL 1.7 billion.
- The number of Turuncu Kart (Orange Card) holders reached 2.3 million.
- ISO 10002 (Customer Satisfaction) certification was received.

2012

www. kliksa.com (the e-commerce store) was launched.

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

Teknosa won the prize for the "Emerging Market Retailer of the Year", at the "World Retail Awards".

Net turnover exceeded TL 2 billion.

283 stores

KEY FINANCIAL AND OPERATIONAL INDICATORS

Teknosa continued to increase its sales volume and profitability in 2012 despite the recession in global and national markets.

FINANCIAL INDICATORS (MILLION TL)	2010	2011	2012
Net Sales	1,292	1,670	2,330
Total Assets	389	604	1,009
Shareholders' Equity	91	146	196
EBITDA	39	106	123
Adjusted EBITDA	39	89*	123
Net Profit	4.6	50.2	50.4
Adjusted Net Profit	4.6	33.2*	50.4

OPERATIONAL INDICATORS	2010	2011	2012
Sales Area (thousand m^2)	101	128	141
Number of Stores	256	269	283
Number of Visitors (million)	71	85	100
Number of Customers (million)	7	7	8
Average Basket Size (TL)	181	216	271

*2011 results are adjusted for TL17 million one-off income due to Best Buy acquisition.

67%

Strong management of net operating capital contributed to the 67% growth in total assets.

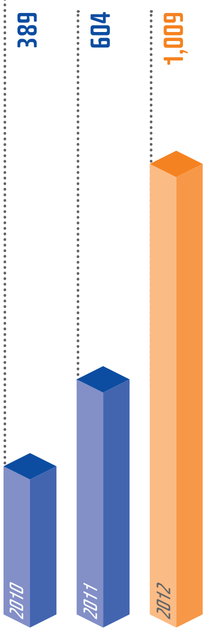
40%

Net sales of stores, which remained open for an entire year, increased by 26% over the previous year. The remaining 14% increase was generated by new stores, expansion of the dealer network, and the increase in e-commerce volume.

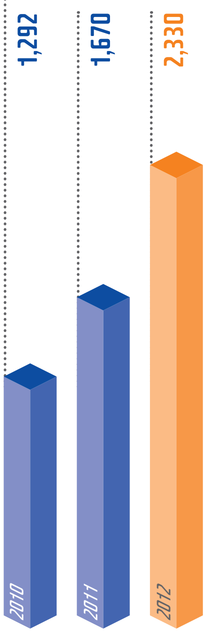
52%*

In addition to the growth in net sales, Teknosa also achieved operational efficiency and increased comparable net profits by 52%.

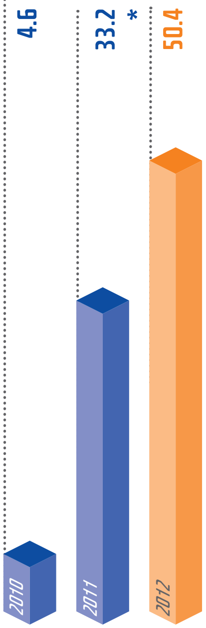
TOTAL ASSETS (MILLION TL)



NET SALES (MILLION TL)



ADJUSTED NET PROFIT (MILLION TL)



*2011 results are adjusted for TL17 million one-off income due to Best Buy acquisition.

1 INITIAL PUBLIC OFFERING

After the initial public offering realized on May 7, 2012, 10% of Teknosa shares are being traded on Istanbul Stock Exchange in national market.

2 ROBUST FINANCIAL GROWTHS

A strong performance in terms of turnover, profitability and market share gain.

3 INVESTMENT IN E-COMMERCE

A significant initiative aiming to reach a turnover of US$ 1 billion within the next 10 years and to make Teknosa the leader of e-commerce through Teknosa.com and kliksa.com platforms, which is already the leader in electronics retailing.


maxell
TOSHIBA
3D

MAIN COMPETITIVE ADVANTAGES

Adopting a customer-oriented, scientific retailing approach in all operations, Teknosa is also distinguished from other companies by its sales and after sales service quality.

The advantages of pioneering the market have enabled Teknosa to establish the most widespread retail chain in Turkey, satisfying all customer needs.

Starting out with the idea of devising the most suitable model for the domestic market, Teknosa began its operations in 2000 with five stores, and since then has pioneered the establishment of Turkey's organized electronics retailing sector. And as Turkey's first electronics retailer, Teknosa has also set the framework of the retailing concept as a result of its time consuming infrastructural investments, and thus set an unrivalled example for newcomers to this developing sector. The advantages of pioneering the market have enabled Teknosa to establish the most widespread retail chain in Turkey, satisfying all customer needs.

Market Leader

While continuously increasing its market share in electronics retailing, its main field of activity, Teknosa also strenghtens its leadership position. In 2012, the Company has a 42% market share among technology super stores, while registering an overall market share of 14%, and an increase of 52% in net profitability over the same term. According to the Turkey's Most Valuable Brands Survey conducted by Brand Finance in 2012, Teknosa ranked 31st among the top 100 brands, with a brand value assessed at US$ 125 million and A+ brand rating.

Unlimited Customer Satisfaction

When it comes to electronics shopping, Teknosa is the first brand that springs to customers' minds, and indeed, it was selected as the most preferred Electronics Retailer by Internet users in 2011 survey conducted by Digital Age magazine, and IPSOS KGM. This achievement is the result of the Company's ability to offer multiple store formats, as well as its flexibility in opening diverse store formats customized to different regions and specific demands, and also of its product and service diversity, and customer oriented management style. Teknosa regards customers as its most valuable asset, and ensures customer satisfaction via several initiatives such as, the Turuncu Kart (Orange Card) loyalty program, customer experience management program, and service-oriented training offered to employees.

According to the Turkey's Most Valuable Brands Survey conducted by Brand Finance in 2012, Teknosa ranked 31st among top 100 brands, and with a brand value assessed at US$ 125 million, and A+ brand rating.

MOST VALUABLE BRANDS RANKING

31st

3D

By continuously increasing its market share in technology retailing, its main field of activity, Teknosa also maintains its leadership position.

Customer Centric Scientific Retailing

Adopting a customer-oriented scientific retailing approach in all of its operations, Teknosa is also distinguished from other companies by its sales and after sales service quality. Placing considerable importance on Customer Experience Management, the Company strives to offer its customers the best possible experience at all customer contact points, including stores, websites, and the call center.

Exclusive Customer Satisfaction

Teknosa is the only electronics retailer in Turkey meeting ISO10002:2004 standards, which aim to improve a company's ability to handle customer complaints in a consistent, systematic, and responsible manner. In order to achieve the most exclusive customer satisfaction in the sector, the Company offers its customers not only product information services, but also leads the way by offering several value added services such as, "444 55 99 - Tekno Assist", "Tekno Garanti", and "Onsite Product Installation" assistance.

24/7 After Sales Support

The Tekno Assist call center and www.teknosa.com provide 24/7 after sales support in order to meet customers' needs and expectations. Additionally, customer demands can instantly be met at in-store Tekno Assist service points. This Company practice is also a one of a kind in the sector.

The TeknoGaranti program enables customers to extend their products' warranty scope and period by up to five years, and to benefit from various value-added services such as onsite product installation assistance, unlimited repairs, and immediate product exchanges.

Exclusive Offers to Customers

Teknosa stores are visited by approximately 100 million people annually. Meanwhile, the number of participants in Turuncu Kart (Orange Card) loyalty program, which offers customers customized services and discounts in line with their purchasing preferences, has reached 3 million. Within the frame of the Customer Relationship Management project, launched in 2008, Teknosa has integrated the Turuncu Kart (Orange Card) loyalty program with mobile phones. Hence, the Company can interact with its customers not only at stores, but also via numerous means such as www.teknosa.com, and all incoming data can be consolidated in order to track customers more closely, and offer them better personalized services.

Teknosa Academy

Teknosa, the leading electronics retailer of Turkey, invests in human resources in order to nurture highly qualified and specialized employees. Accordingly, the Company established the Teknosa Academy in 2005 with the purpose of achieving the highest customer and employee satisfaction possible. The Academy offers training and self-development programs not only to Teknosa employees, but also to all young people who are technology enthusiasts, and wish to pursue a career in this field. Nearly 10,000 students have graduated from the Teknosa Academy since its establishment.

Retail Operations Supported by Technology

The Company is able to closely monitor all new innovations and trends in the sector. Additionally, Teknosa is the company in the sector making the biggest investments in research, and continues its investments in order to establish a powerful logistics infrastructure, and maximize the efficient use of information technologies.

NUMBER OF VISITORS PER YEAR

100 million

Teknosa stores are visited by approximately 100 million people annually. Meanwhile, the number of participants in the Turuncu Kart (Orange Card) loyalty program, which offers customers customized services and discounts in line with their purchasing preferences, has reached 3.2 million.

Teknosa received an ISO 9001:2008 Quality Certificate as a result of its successful implementation of eight practices: Customer orientation, leadership, employee participation, managing through processes, systems approach to management, continuous improvement, as well as data-driven decision making, and building strong relationships with suppliers.

As of 2012 the Company has a sales area of over 140 thousand m^2, and a total warehouse space of 62 thousand m^2, consisting of 30 thousand m^2 of closed space. Teknosa has the largest logistics center in its sector, located in Gebze/Istanbul, and where all logistics operations are carried out. The Company's logistics center has online connection to all stores, and all operations are carried out by utilizing information systems. Similarly at the stores, where retail operations are supported by technology, all processes including stock level controlling, product placement and label changing, are carried out via scientific retailing equipment.

Taking solid steps in its sector thanks to its up to date, dynamic, and innovative structure, Teknosa sets the standards in the domestic market. The Company received an ISO 9001:2008 Quality Certificate, which is the most comprehensive certification available, as a result of its successful implementation of eight practices: Customer orientation, leadership, employee participation, managing through processes, systems approach to management, continuous improvement, as well as data-driven decision making, and building strong relationships with suppliers. Teknosa was also the first company in the electronics retailing sector to receive ISO 10002:2004 certification, which sets the standards of customer satisfaction and complaints handling, and ISO 27001:2005 certification, which aims to assist in terms of an information security management system. Both certifications are granted by the International Organization for Standardization (ISO). As a result of investing in sustainable growth, profitability, and increased customer loyalty, Teknosa is still the only electronics retailer in Turkey to have received ISO 9001:2008 Quality Management System, ISO 27001:2005 Information Security Management System, and ISO 10002:2004 Complaint Management System certification.

SUBSEQUENT EVENTS

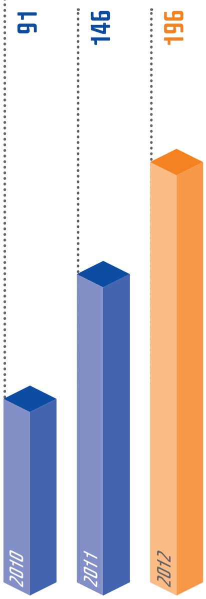
During the period between the balance sheet date and March 5, 2013, the company opened one new store in Istanbul. With the addition of this new store, the Company's total sales area increased by 217 m^2.

During the period between balance sheet and March 5, 2013, the Company closed four stores and opened four stores in Ordu, Kırklareli, Elazığ and Yozgat due to change of location. With the change of these stores' location, the Company's total sales area increased by 401 m^2.

CHAIRMAN'S MESSAGE

At Teknosa, we are proud and happy to have closed the year 2012 after achieving a successful and a strong growth performance which confirmed the 12th year of our market leadership.

SHAREHOLDERS' EQUITY (MILLION TL)



Valuable investors,

While we present to you the activities and the financial statements of Teknosa İç ve Dış Ticaret Anonim Şirketi, pertaining to the period January 1, 2012-December 31, 2012, we would like to take the opportunity to thank all of you for honoring our General Meeting.

Welcome to the General Assembly Meeting.

At Teknosa we are proud and happy to have closed the year 2012 after achieving a successful IPO and a strong growth performance which confirmed the 12th year of our market leadership. I sincerely congratulate Teknosa's Executive Management and the whole Teknosa family with its 3,700 members, who have made these accomplishments possible in 2012. I would like to share with you an overview of the past year and our expectations for 2013.

Throughout the global recession, Turkey has distinguished itself from other economies in the world by achieving a successful growth rate both in 2010 and 2011. However, this momentum saw a relative deceleration in 2012. Nevertheless, in registering a growth rate of 3% in 2012, the Turkish economy remains a "shining star" when compared with other European economies, and thanks to the successful monetary policies pursued by Turkey's economic management team, our country managed to sustain macroeconomic stability. Indeed, by achieving successful results in the current account deficit and inflation rate, Turkey, after an 18 year gap, earned an uptick in its credit rating marking a return to investable market status.

Even though the government's smooth landing policy and the measures it took to cool off the economy caused a slowdown in the retailing sector during the first half of the year, the sector has picked up again over the past six months, closing the year on double-digit growth.


TEKNOSA
SAMSUNG
Samsung GALAXY Note II
3D

CHAIRMAN'S MESSAGE

Taking into account the increasing customer demand, we predict that the electronics retailing sector will generate a double-digit growth rate in 2013 as well. Thus, Teknosa, the powerful and the unrivalled leader of the technology retailing sector, will continue to focus on sustainable leadership and profitability, and grow over the sector average in 2013 as well.

As a result of recently launched products and increased customer demand in 2012, consumer electronics sector grew by 23%, surpassing the general retail industry.

On the other hand, the year 2012 was very productive for Teknosa because we managed to reach our targets and increased our profitability. In fact we exceeded our growth target, which was set at 25% at the beginning of the year, and achieved a 40% growth. As a result of this growth performance which exceeded the overall sector, we also increased our market share. Thanks to our increased business volume and profits, we continued to add value for all our stakeholders.

Embracing the philosophy "Technology for Everyone", our Company operates with 283 retail stores in 77 cities as well as with online stores, offering the latest technology products to our customers. And meanwhile, our Company also increased its net profit to TL 50 million. Thanks to its successful performance, Teknosa further solidified its leadership in 2012.

By relying on our past achievements, by trusting our Teknosa brand, and by drawing on our strong balance sheet, we set a vision of 100% growth within the next five years, and also aim to rank among the top three players in Europe within the next ten years. Accordingly, we took the necessary steps towards reaching the goals we set in 2012. In order to better assess inorganic growth opportunities, we signed an agreement with an investment bank, and we also signed a strategic cooperation agreement with Euronics, Europe's largest buying group for consumer electronics.

We expect that the growth in the Turkish economy will once again gain momentum in 2013. Taking into account the increasing customer demand, we predict that the electronics retailing sector will generate a double-digit growth rate in 2013 as well. Thus, Teknosa, the powerful and the unrivalled leader of the technology retailing sector, will continue to focus on sustainable leadership and profitability, and grow over the sector average in 2013 as well. Due to a possible consolidation expected in the sector, we are currently in the process of assessing investment opportunities in order to further strengthen Teknosa's leadership position via acquisitions. We are determined to pursue our competition and customer-focused efforts by investing in stores, human resources, and technology.

I wish 2013 to be a productive year for our Company, and would like to take the opportunity to thank everyone who contributed to our achievements in 2012.

Respectfully Yours,

Haluk Dinçer
President of the Retail and Insurance
Group of Sabancı Holding

As the youngest and dynamic company of Sabancı Holding Teknosa achieved to increase net revenue 40% in 2012, which totaled TL 2.3 billion. The Company also enhanced the net profit that reached TL 50.4 million.

NET REVENUE

2.3 billion TL

3D

BOARD OF DIRECTORS

Haluk Dinçer
Chairman
Haluk Dinçer received his B.S. degree in Mechanical Engineering in 1985, and his M.B.A. degree in 1988, both from the University of Michigan. He began his professional career as a Product Development Engineer at General Motors in 1985. Later he worked at Koray Yapı, Dinçer & Dinçer, and Temsa companies, serving as Director of Business Development and Foreign Relations, Board Member, Vice Chairman, and Executive Member, respectively. Mr. Dinçer joined Hacı Ömer Sabancı Holding in 2001, and is currently the President of the Retail and Insurance Group.

Temel Cüneyt Evirgen
Vice Chairman
Temel Cüneyt Evirgen received a double degree in Mathematics and Electrical Engineering from Boğaziçi University in 1986. He then received his Masters degree in Marketing from the same university in 1990, and his PhD degree in International Management Studies from Michigan State University in 1995. He began his professional career as a Teaching Assistant at Boğaziçi University in 1986. Later, he worked as an Intercultural Program Assistant at the University Apartments Campus, and as a Systems Development Researcher and Consultant at International Business Center, both at Michigan State University. He then served as General Manager and Board Member at Bileşim International Research & Consultancy, as Part-time Faculty Member at Koç University, and as Director of Retail Program at Sabancı University, respectively. Mr. Evirgen is currently an Executive Member of the Professional Education and Consultancy division at Sabancı University. Between 2005 and April 2012, he was a Board Member at Teknosa. And as of April 2012, he was appointed as Vice Chairman of Teknosa.

Muhterem Kaan Terzioğlu
Independent Board Member
Muhterem Kaan Terzioğlu graduated from Boğaziçi University, at the Department of Business Administration in 1990. He began his professional career in the same year as an Independent Auditor and CPA at Arthur Andersen Turkey. In 1992 Mr. Terzioğlu joined Arthur Andersen USA as IT Strategies and Security Specialist, and in 1994 began working at Arthur Andersen Belgium as the Leader of Information Management and Digital Strategy Services. In 1998 he returned to Arthur Andersen Turkey as Vice President of Consultancy Services Turkey Operations. Between 1999 and 2012, he served as the Team Leader of E-Commerce Strategies for the EMEA region, Sales Director of Advanced Technologies for the EMEA region, Managing Director of Technology Marketing Organization for the EMEA region, and Vice President of Central and Eastern Europe at Cisco Systems Brussels branch, respectively. Mr. Terzioğlu has been serving as an Independent Board Member at Teknosa since April 2012.

Oğuz Nuri Babüroğlu
Independent Board Member
Oğuz Nuri Babüroğlu graduated from Sussex University in 1977. He received his Master's Degree from Lancester University, and his PhD degree in Social Systems Sciences from the Wharton School of the University of Pennsylvania. He pursued his teaching career at West Chester University in USA, at Clarkson University, INSEAD, Work Research Institute, Bilkent University, and the Norwegian University of Science and Technology's EDWOR program, respectively. Mr. Babüroğlu has been teaching at Sabancı University since 1998. In 1995 he founded Arama Participatory Management Consultancy, and is also the Founding Director of Akıl Limanı Mindport Education Services. Mr. Babüroğlu has been a Board Member at ETİ Gıda Sanayi ve Ticaret A.Ş. since 2006, and an Independent Board Member at Teknosa since April 2012.

Neriman Ülsever
Board Member
Neriman Ülsever graduated from Boğaziçi University, Department of Business Administration and Operations Research in 1975. She began her professional career at Turkish Airlines in 1973, assuming several duties within that company. Ms. Ülsever later worked at Anadolu Bankası A.Ş., Emlak Bankası A.Ş., Group Sanfa, and Impexbank, respectively. Starting from 1995, she has worked at İKE Ltd. Company, of which she was the Managing Partner, and where she specialized in the areas of human resources consultancy and training. Ms. Ülsever has also worked at Indesit Company, which entered the Turkish market in 1995, assuming several duties both in Turkey and overseas. She worked in Switzerland as HR Director of Eastern European and International Markets between 1999 and 2002, and in France as HR Director of Western European Markets between 2001 and 2004. Ms. Ülsever served as HR Director in charge of the World Trade Organization in Italy between 2004 and 2006, and was the Global HR Director and Executive Committee Member of Indesit Company in Italy between 2006 and 2010. Ms. Ülsever has been a Board Member at Indesit Turkey since 1996, and on May 16, 2011 was appointed as Group President of Human Resources at Sabancı Holding. Ms. Ülsever has also been serving as Board Member at Teknosa since April 2012.

Barış Oran
Board Member
Barış Oran graduated from Boğaziçi University, at the Department of Business Administration, and received his Master's degree from the University of Georgia. Mr. Oran began his professional career as an Auditor at Price Waterhouse Coopers in 1995, and between 1998 and 2003, worked at Sara Lee Corp. in Chicago/USA, assuming several duties in auditing, finance, and treasury/capital markets. Between 2003 and 2006, he worked at Ernst and Young in Minneapolis/USA, and then became Executive Manager at the same company in charge of Europe, Africa, and Indian regions. Mr. Oran joined Kordsa Global in 2006, and served as Director of Internal Audit, Director of Global Finance, and CFO, respectively. In 2011 he was appointed Director of Finance at Sabancı Holding, and since 2012 has been serving as Group President of Planning, Reporting, and Finance at Sabancı Holding. Mr. Oran has been a Board Member at Teknosa since April 2012.

GENERAL MANAGER'S MESSAGE

Teknosa, the shining star of Sabancı Holding, gave a growth performance surpassing the market average, on a rate of 40%.

In 2012 we continued to make investments, hence Teknosa maintained its position as the most preferred brand for Turkish customers. We started the year with 269 stores across 72 cities, a total sales area of 128 thousand m², more than 3 thousand employees, and 85 million visitors per year. We then closed the year of 2012 with 283 stores across 77 cities, a total sales area of over 140 thousand m², and 3,700 employees.

Valuable investors,

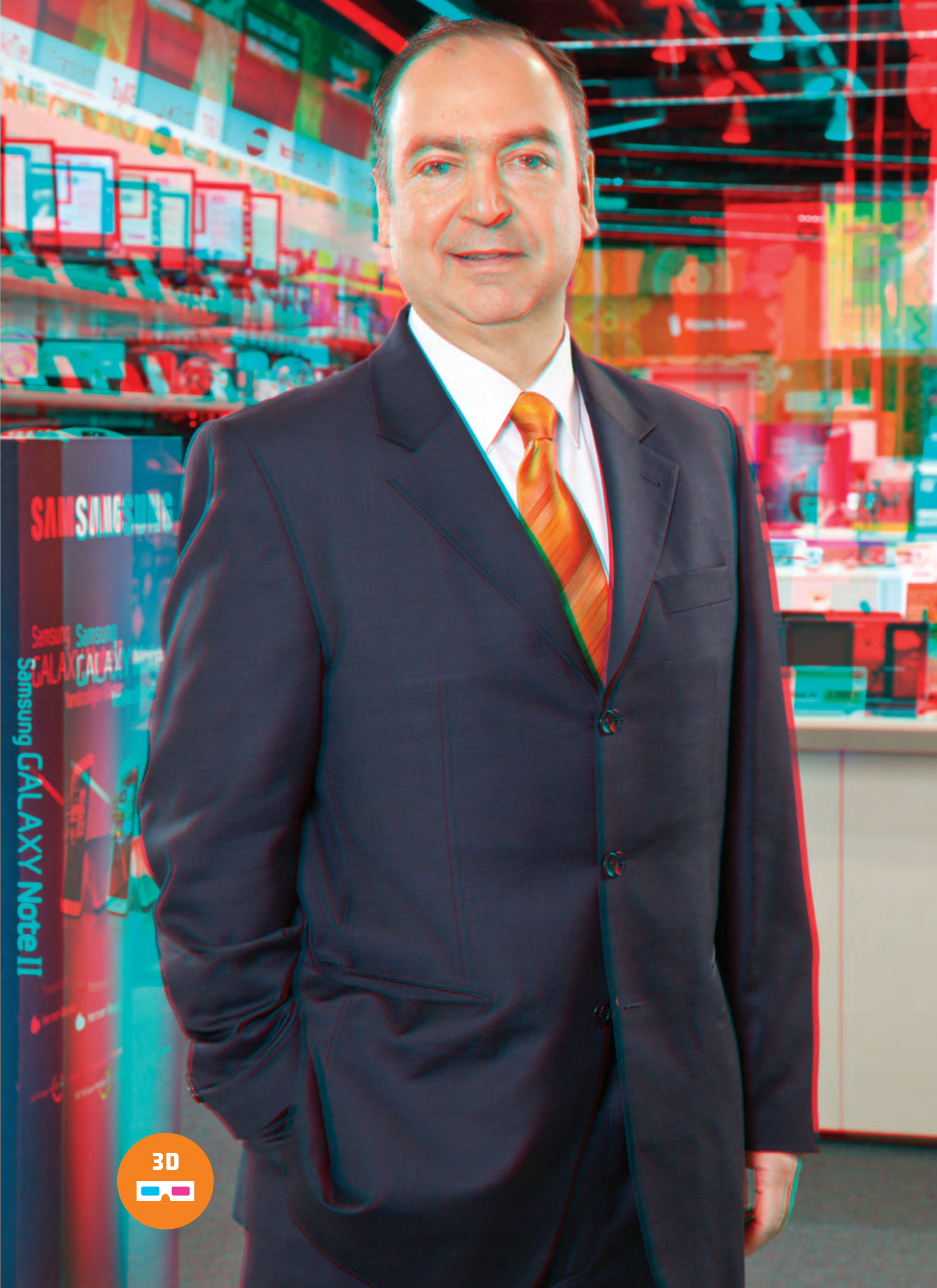
Esteemed business partners and employees,

2012 was a productive year both for the overall consumer electronics market and for Teknosa. This year the consumer electronics market in Turkey registered a double-digit growth rate, just as in the previous year, expanding by 18%.

On the other hand, Teknosa, the shining star of Sabancı Holding, gave a growth performance surpassing the market average, at a rate of 40%. Indeed, we had started out the year with sustainable growth and profit targets, which we managed to exceed, further solidifying our leadership position.

In 2012 we continued to make investments, hence Teknosa maintained its position as the most preferred brand for Turkish customers. We started the year with 269 stores across 72 cities, a total sales area of 128 thousand m², more than 3 thousand employees, and 85 million visitors per year. We then closed the year of 2012 with 283 stores across 77 cities, a total sales area of over 141 thousand m², and 3,700 employees.

Over the past 12 years, our Company has always embraced a customer oriented scientific retailing approach, and has pursued its store investments with innovative concepts. The number of people visiting Teknosa stores has soared to 100 million per year. We maintained our unrivalled market leadership with a market share of 42% among technology super stores.


SAMSUNG
Samsung GALAXY
Samsung GALAXY Note II
3D

GENERAL MANAGER'S MESSAGE

Another achievement of 2012 was the prize we won at the 'World Retail Awards', regarded as the 'Oscars' of the global retailing industry. We feel deep pride in having surpassed all global retail giants, and in being the first Turkish company to be honored with this prize.

In 2012, Teknosa was the leading brand, which introduces technology to customers across Turkey, leads the sector, adds value to all of its stakeholders, and contributes to the Turkish economy by creating employment.

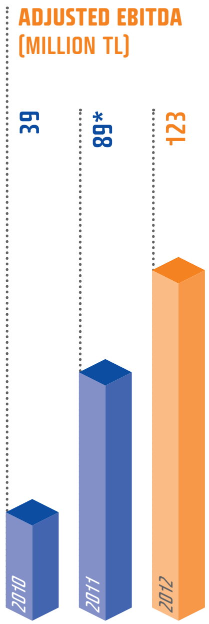
Embracing the philosophy "Technology for Everyone", our Company aims to bring technology to all 81 cities in Turkey, and indeed, we also expanded our Turuncu Kart (Orange Card) loyalty program to reach over 3 million card holders in 2012. Additionally, we also invested in social media in order to effectively establish and fulfill customer expectations and needs. As a result of our effective customer relationship efforts, we are happy to share our products and offers with over 1.2 million Facebook, and over 75 thousand Twitter followers.

As is the case throughout the world, e-commerce is rapidly growing in Turkey. Therefore in 2012, we focused our efforts on online sales by revamping the infrastructure of teknosa.com, in order to further improve our service quality. Thanks to our investments in e-commerce, our service quality in online shopping improves with each passing day. Maintaining a growth rate nearly 200% per year, the sales volume of teknosa.com has become equivalent to that of a large Teknosa store. Operating 24/7, teknosa.com is visited 185 thousand times per day, and is ranked among the top three online retailers. Parallel to the rising success of Teknosa.com, our e-commerce company Kliksa, which was established in 2012, also invigorated the sector. The website began accepting orders in March 2012, and rapidly grew in just 9 months. Within a very short period, Kliksa.com managed to rank among the top three companies of its sector, in terms of turnover, and solidified its position with more than 1 million monthly users. Additionally, we opened the door to Europe for our customers on the strength of the strategic cooperation agreement signed with Euronics, Europe's largest buying group in the technology retailing industry.

Another achievement of 2012 was the prize we won at the 'World Retail Awards', regarded as the 'Oscars' of the global retailing industry. We feel deep pride in having surpassed all global retail giants, and in being the first Turkish company to be honored with this prize.

In parallel with these developments, our Company realized its initial public offering in May, creating an investment opportunity for its employees, business partners, and customers, as well as all those with faith in Teknosa's future. Thus, Teknosa continued to offer advantages to all of its stakeholders. And in the medium term, we aim to make Teknosa one of the most profitable companies traded on the Istanbul Stock Exchange (IMKB).

When we look at the operational results of İklimsa, another business unit of our Company, we can see that it has achieved a turnover of TL 126 million in 2012, with its 215 authorized dealers in 50 cities, and 222 authorized after-sales dealers in 62 cities. After closing a productive year, İklimsa will further strengthen its leadership and maintain its stable growth in 2013 as well, with innovative practices and pioneering projects.



Being one of the youngest and the most dynamic companies of the Sabancı Group, our Company will continue to pursue sustainable leadership-driven investments and projects in 2013 as well. Teknosa embraces all traditional values at the very heart of Sabancı Holding's culture, such as investing in people and technology, and leading and guiding the sector with innovative practices. And our Company will continue to create value for all of its business partners, customers, and employees in 2013 as well.

12 years ago we created a new sector and established the market in Turkey. And our goal for 2023 is to rank among the top 3 Electronics Retailers in Europe. For Teknosa this goal isn't far or unattainable. We are getting closer to this goal in each day.

Our Company has maintained its sector leadership position since its foundation, and we are grateful to all our employees, business partners, customers, and investors who contributed to our successful performance in 2012 as well. We are looking forward to realizing further accomplishments together.

Respectfully Yours,

Mehmet T. Nane
General Manager

*2011 results are adjusted for TL17 million one-off income due to Best Buy acquisition.

1 2 3 4 5

EXECUTIVE COMMITTEE

Mehmet Tevfik Nane (1)
General Manager
Mehmet Tevfik Nane graduated from Boğaziçi University, at the Department of Political Science and International Relations in 1990. He received his Master's Degree in International Banking and Finance from Heriott-Watt University in 1993, and is currently a PhD student in Banking at the Institute of Banking and Insurance of Marmara University. Mr. Nane began his professional career as a bank clerk at Emlak Bankası in 1988. He later served as Manager of International Capital Markets at Demirbank. After joining Sabancı Holding, he served as Vice President of Planning, Business Development, and Projects; as Director of the Retail Group; and as General Secretary, respectively. Mr. Nane joined Teknosa in 2005, and is currently the General Manager of the company.

Bülent Gürcan (2)
Deputy General Manager - Operations
Bülent Gürcan graduated from Istanbul Technical University, at the Department of Civil Engineering in 1988. He began his professional career as an executive in charge of cement imports at İzdaş in 1991. He then worked at Sony, MaxMara, Giysa Sabancı, and Step Clothing, assuming the duties of Sales Manager, Founding and Managing Partner, Operations Manager, and Operations Director, respectively. Mr. Gürcan joined Teknosa in 2004, and currently serves as Deputy General Manager in charge of Operations.

Nevgül Bilsel Safkan (3)
Deputy General Manager – Finance
Nevgül Bilsel Safkan graduated from Istanbul University, Department of Business Administration (English) in 1993. She then completed her EMBA at Boğaziçi University in 2003. Ms. Safkan began her professional career in 1993 as an Audit Assistant at Arthur Andersen. She later worked as Financial Controller, Director of Finance, Director of Finance and IT, and Director of Finance at Karma International, Superonline, Paxar Turkey, and Marsa, respectively. Ms. Safkan joined Teknosa in 2006 and she is currently Deputy General Manager in charge of Finance.

Mehmet Önder Kaplancık (4)
Deputy General Manager - Information Systems and Operational Support
Mehmet Önder Kaplancık graduated from Boğaziçi University, Department of Computer Engineering in 1992. He then received his Executive MBA degree from Koç University in 1999. Mr. Kaplancık began his professional career as an IT Analyst at Arçelik in 1993. Later he worked at the Koçfinans Consumer Loans and Card Services Unit, and at Pilsa, assuming the duties of Deputy Manager of IT Systems, and R&D Manager, respectively. Mr. Kaplancık joined Teknosa in 2000, and currently serves as Deputy General Manager in charge of Information Systems and Operational Support. He also teaches MIS (management information systems) classes on the MBA program of Sabancı University.

6 7 8 9 10

Kemal Yaman (5)
Deputy General Manager - Dealer Group
Kemal Yaman graduated from the Middle East Technical University, at the Department of Mechanical Engineering in 1985. He began his professional career as a Production Engineer at Soyut Makina in 1985. He later worked at Teba-Epak, Alarko, Hsk–York, and Temsa, assuming the duties of Regional Manager, Systems Manager, Regional Manager, and Deputy General Manager of Sales, respectively. Mr. Yaman joined Teknosa in 2001, and currently serves as Deputy General Manager in charge of the Dealer Group.

Asena Yalınız (6)
Deputy General Manager - Human Resources
Asena Yalınız graduated from the Middle East Technical University, Department of Business Administration in 1990. She began her professional career as a Research Assistant at ESDA in 1988. She later served as HR Manager at Çayeli Bakır İşletmeleri A.Ş., as HR Director at Continent Alışveriş Merkezleri A.Ş. and at Carrefoursa, respectively. Ms. Yalınız joined Teknosa in 2002, and currently serves as Deputy General Manager in charge of Human Resources.

Namık Demirkan (7)
Head of Audit
Namık Demirkan graduated from Istanbul University, at the Department of Public Administration in 1990. He began his professional career as an Accounting Clerk at Haktek U.A. Konf. San. in 1990. He later worked as an Internal Auditor at Pilsa. Mr. Demirkan joined Teknosa in 2000, and currently serves as President of the Audit Department.

Nedim Erdal (8)
Category Director
Nedim Erdal graduated from Istanbul Technical University, at the Department of Business Engineering in 1995. He began his professional career as a Product Manager at Spectrum Büro Sistemleri A.Ş. in 1996. He later worked as Marketing Manager at Escortland Mağazacılık A.Ş., respectively. Mr. Erdal joined Teknosa in 2002, and after working as Category Manager and Category Group Manager, he currently serves as Category Director.

Mehmet Necil Oyman (9)
Sales Director
Mehmet Necil Oyman graduated from Istanbul University, at the Department of Econometrics in 1995. He received his Executive MBA degree from Sabancı University in 2008. Mr. Oyman began his professional career as a Sales Manager at Ericsson Turkey in 1999. He later served as Manager of Foreign Markets at Ericsson Turkey; as National Sales Manager at Danonesa; and as Sales Director at Gıdasa, respectively. Mr. Oyman joined Teknosa in 2007, and currently serves as Sales Director.

Hakan Orhun (10)
Director of Kliksa Business Unit
Hakan Orhun graduated from Boğaziçi University, at the Department of Mechanical Engineering in 1994. He began his professional career as a Production Development Engineer at Arçelik in 1994. He later joined Teknosa, and served as Marketing Supervisor, Customer Service Manager, and Alternative Sales Channels Manager, respectively. Mr. Orhun joined Kliksa in 2012, and is currently the Business Unit Director.

1 NATIONAL TEAM SPONSOR

Teknosa believes that sports play an important role in the society's development, and have a great communication power. Therefore, the Company has been serving as the Technology Supplier of the Turkish National Football Team since 2007. Associating its leader position with Turkey's leading team, Teknosa aims to support the National Team in its achievements on the global arena.

2 TECHNOLOGY FOR WOMEN

With the scope of this project, which aims to improve the skills of women in the use of technology as well as to help increase their integration in social and cultural life, Teknosa has offered free computer courses over 12 thousand women from 41 cities.

3 TECHNOLOGY FOR HISTORY

The Rare Artworks Project, carried out under the slogan "Technology for History", aims to support the digital archiving of artworks kept in the Rare Artworks Library at Istanbul University, that bear the risk of perishing. The project won the first prize in the "Social Repsonsibility" category at 2012 AMPD awards (Trade Council for Shopping Centers and Retailers of Turkey).


Bilgisayar
3D

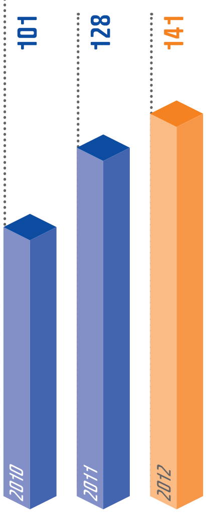
REVIEW OF 2012 OPERATIONS

Teknosa commenced its operations in 2000 with five stores, and as of today operates in 77 cities with 283 stores.

RETAIL SALES

With the ability of opening different stores customized to different regions and specific demands, Teknosa steps beyond standard store concepts, and meets its customers via multiple store formats.

SALES AREA (thousand m²)



Retail Sales

Operating under the Hacı Ömer Sabancı Holding A.Ş., Teknosa is an electronics retailer that offers its customers technology products with outstanding prices, and best service quality.

Steady Growth over the Past 12 Years

Teknosa commenced its operations in 2000 with five stores, and as of today operates across 77 cities with 283 stores. The Company achieved steady growth within a very short period of time, and thanks to its widespread penetration, superior service quality, reliability, rapid growth, and product diversity, it became the most widespread electronics retailer in Turkey. Having started out with only 163 employees, today Teknosa employs 3,700 people, all of whom are experts in their relative fields, and the Company continues to improve both its service quality and product portfolio.

Retail Chain with Highest Penetration in Turkey

Embracing the philosophy "Technology for Everyone", Teknosa offers its customers thousands of technology products - including electronic devices, telecom devices, personal care equipment, and household appliances - from hundreds of global brands, through its widespread retail network. With the ability of opening diverse store types customized to different regions and specific demands, Teknosa steps beyond standard store concepts, and meets its customers via multiple store formats. With their unique designs and a large variety of products from distinguished global brands, Teknosa stores adopt a futuristic style. The Company also boasts concept stores located at the premium Kanyon, Akmerkez, and İstinye Park shopping malls, also in addition to large-scale Teknosa Extra and Exxtra stores, all of which reflect the Company's innovative approach.

The Initial Public Offering Was Held in May 2012

Embracing the philosophy "Technology for Everyone" since its foundation in 2000, Teknosa has been Turkey's leading electronics retailer, offering technology

Having started out with only 163 employees, today Teknosa employs 3,700 people, all of whom are experts in their relative fields, and the Company continues to improve both its service quality and product portfolio.

NUMBER OF EMPLOYEES

3,700

products to customers in every corner of Turkey. The Company held its initial public offering in May 2012, and since then its shares have been trading on the Istanbul Stock Exchange (IMKB).

24/7 Customer Service

In order to meet its customers' technology needs, Teknosa offers 24/7 customer service via its call center Tekno Assist (444 55 99), as well as the www.teknosa.com online store, providing a wide range of products.

DEALER GROUP
İklimsa aims to standardize its high service quality, and to become the "go-to company" in the air conditioning market.

Dealer Group

As a business unit under Teknosa, İklimsa has been offering customers the world's leading air conditioner brands at affordable prices and reasonable payment terms, since its foundation in May 2006. Aiming to standardize its high service quality, and to become the "go-to company" in the air conditioning market, İklimsa offers 24-hour service via its customer hotline 444İKLİM (444 55 46).

With its wide distribution network consisting of over 500 experienced authorized dealers and after-sales service outlets spread across Turkey, İklimsa sells air conditioners, refrigerators, and cash registers.

E-Commerce

The year of 2012 was one of advancements for Teknosa in areas such as labor force, technology investments, resource transfers, and especially e-commerce. The Company has pursued a two-way e-commerce strategy to gain share in both electronics retailing and the rapidly growing e-commerce sectors. As a result, it increased the volume of www.teknosa.com, and also launched a new e-commerce brand, www.kliksa.com, in March 2012.

Aside from its standard, extra and exxtra store formats, Teknosa views www.teknosa.com as its fourth store format, the main purpose of which is to organize the link between the online store and other stores. Indeed, www.teknosa.com has the dual function of facilitating stock control, and making all technology products available to customers in regions where only small scale stores exist. The website receives over 2.5 million visitors per month.

www.kliksa.com offers customers a rich product portfolio consisting mainly of consumer electronics, but also including office and stationery supplies and books, at reasonable prices and instantaneously. The main purpose of www. kliksa.com is to carry Teknosa's leadership position as a Electronics Retailer to the online environment. Shortly after its launch, www. kliksa.com surpassed the monthly average of 500 thousand visitors. For 2013 the turnover target for both www.teknosa.com and www. kliksa.com is set as TL 100 million each. The Company plans to reach a turnover of US$ 1 billion within the next 10 years and hence to become the leader among e-commerce companies in Turkey.

www.kliksa.com offers customers a rich product portfolio consisting mainly of consumer electronics, but also including office and stationery supplies and books, at reasonable prices and instantaneously.

KLİKSA

CORPORATE GOVERNANCE PRINCIPLES

Teknosa's management adheres to the principle of keeping transparent and close communication with its shareholders and stakeholders.

Teknosa aims to become an exemplary company where a world class human resources management policy is implemented, and where everyone wants to or are proud to work at. At Teknosa, Human Resources Policies define the essential practices and priorities pertaining to human resources management.

Corporate Governance Principles

Teknosa regards Corporate Governance Principles as an indispensable part of its corporate culture. Corporate Governance at Teknosa İç ve Dış Tic. A.Ş. is carried out in accordance with the Company's ethical values, in a responsible manner both internally and externally, with a full awareness of risks, with a transparent and responsible attitude in all decisions, in a sustainable success oriented fashion, and by always looking out for the interests of the Company's stakeholders. The Company policies devised in accordance with Corporate Governance Principles, are briefly summarized below, and the complete details can be found on the Company's website, www.teknosa.com.

Disclosure Policy

Teknosa's management adheres to the principle of keeping transparent and close communication with its shareholders and stakeholders. The Company's main goal is to increase its tangible and intangible value for the existing shareholders and stakeholders while rendering its shares appealing to prospective investors.

Profit Distribution Policy

The Company's Profit Distribution Policy stipulates that a minimum of 20% of distributable profit as determined by the Capital Markets Regulation, will be distributed to shareholders in the form of either cash or bonus shares. This Policy is reviewed each year by the Board of Directors, taking into consideration any changes that might have happened in either national or global economy as well as the status of ongoing projects and funds. The Company aims to offer its shareholders gains which are above the risk-free rate of return.

Human Resources Policy

Teknosa aims to become an exemplary company where a world class human resources management policy is implemented, and where everyone prefers to or are proud to work at. At Teknosa, Human Resources Policies define the essential practices and priorities pertaining to human resources management.

Compensation Policy

At Teknosa, employee compensation is determined in accordance with the Company's vision, mission, and values, and under the "Family Business Model and Compensation Management System" in order to ensure competitive, fair, motivating compensation for the employees as well as to enable cost controlling.

Remuneration to be paid to the Board of Directors as compensation for their services is determined at the General Assembly. All benefits and compensation are detailed under the notes to the financial statements.

Contact Information

Teknosa İç ve Dış Tic. A.Ş. Istanbul
Phone: 444 55 99
E-mail: yatirimciiliskileri@teknosa.com

Teknosa aims to become an exemplary company where a world class human resources management policy is implemented, and where everyone prefers to or are proud to work at. At Teknosa, Human Resources Policies define the essential practices and priorities pertaining to human resources management.

SUSTAINABILITY

Teknosa's total sales area rose to over 140 thousand m² upon the opening of 51 new stores in 2012.

Maintaining steady, organic growth in its field of activity, Teknosa has also focused on inorganic growth via acquisitions over the past five years.

Investments

As the most widespread and accessible electronics retailer in Turkey, Teknosa maintained its growth by investing in new stores in line with its 2012 targets. Embracing the philosophy "Technology for Everyone", Teknosa aims to bring technology to customers across all 81 cities in Turkey. With this purpose, the Company opened stores in Artvin, Bayburt, Gümüşhane, Tunceli, and Yozgat, achieving coverage of 77 cities. Additionally, the total sales area rose to over 140 thousand m² upon the opening of 51 new stores in 2012.

Maintaining steady growth in its field of activity, Teknosa has also focused on inorganic growth via acquisitions over the past five years. In 2007 the Company acquired Uzelli music stores, and the Turkish operations of Electronic Partner, a Germany based company that was the first foreign consumer electronics retailer to enter the Turkish market. Teknosa also acquired the Turkey operations of American Best Buy in 2011.

In anticipation of the consolidation of Turkey's technology retailing sector, Teknosa signed a consultancy agreement with HSBC Yatırım Menkul Değerler A.Ş. in 2012 to seek for potential acquisition opportunities.

Human Resources

Bearing the responsibility of being Turkey's first and most widespread electronics retailer, and also in line with its scientific retailing principle, Teknosa places great importance on nurturing a qualified labor force. Teknosa Academy, established in 2005, is the first and only training center that aims to provide qualified employees for the electronics retailing industry. Since 2007, the Academy has also been offering online training and self-development programs via its e-learning platform. These programs offered by the Academy are not only open to Teknosa employees, but also to all young people who are technology enthusiasts, and wish to pursue a career in this field. Since its establishment, nearly 10,000 people have benefited from the training offered by the Teknosa Academy.

Environment

Adhering to its responsibilities as the leader of the sector, Teknosa acts as a pioneer by carrying out educational activities to raise the younger generation's awareness of technology and the environment. Accordingly, Teknosa sets an example in the sector with its several environmental practices such as electronic waste collection, the introduction of eco-friendly bags, and energy efficiency efforts.

Teknosa sets an example in the sector with its several environmental practices such as electronic waste collection, introduction of eco-friendly bags, and energy efficiency efforts.

Since 2003, Teknosa has been collecting electronic waste and batteries either at disposal stations located in Teknosa stores, or by collecting such waste from customers' houses free of charge, and sending it for recycling in collaboration with Exitcom. With this initiative, the Company has helped to recycle tons of electronic waste, and thousands of batteries. In 2011, 14% of all disposed batteries collected in Turkey were done by Teknosa.

In 2009 Teknosa achieved another first for its sector by introducing eco-friendly bags.

Throughout 2011 and 2012, the Company pursued several other activities to help create environmental awareness in Turkish society, such as the e-waste clothing exhibition developed in collaboration with the Fashion Designers Association; various exhibitions at shopping malls, and its electronic waste collection project that put nostalgic Turkish junk-carts on the streets of Istanbul on June 3rd, to commemorate World Environment Day.

Associating its leader position with Turkey's foremost team, Teknosa continues to support the National Team's achievements in the global arena.

Corporate Social Responsibility

Sponsorship of National Team

Embracing the philosophy "Technology for Everyone", Teknosa plans to introduce technology to all parts of Turkey, and meanwhile the Company contributes to numerous projects in the areas of education, science, the arts, and technology. Teknosa believes that sports play an important role in a society's development, possessing formidable communication power. Therefore, the Company became the Technology Supplier of the National Football Team, as a result of collaboration with the Turkish Football Federation in 2007. Associating its leader position with Turkey's foremost team, Teknosa continues to support the National Team's achievements in the global arena. Teknosa also carries out several corporate social responsibility projects, all of which set an example for other companies in the sector.

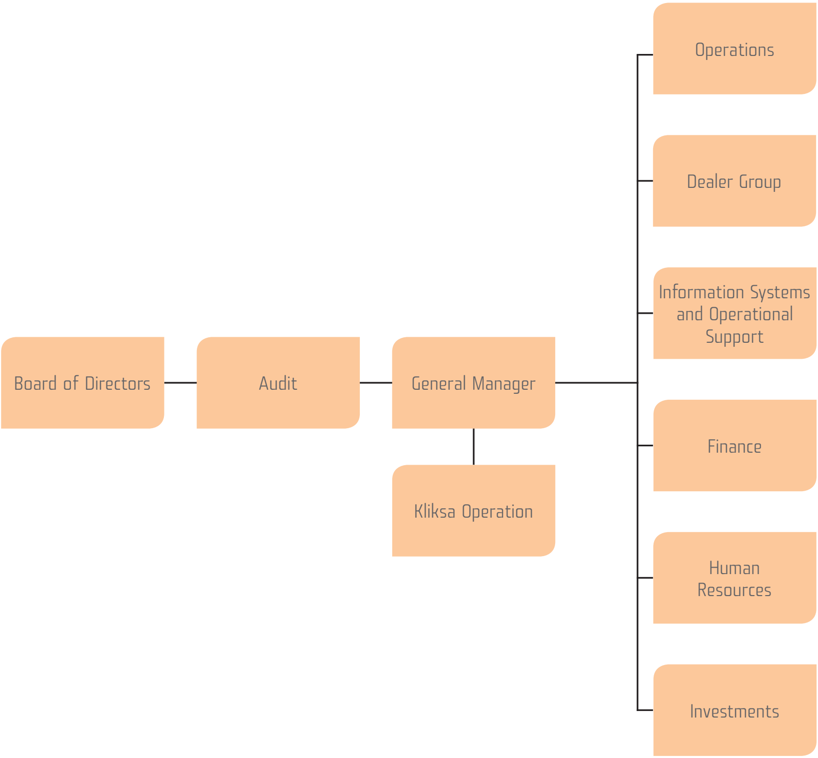
Timeless artworks

Within the scope of the rare artworks project, bearing the motto "Technology for History", Teknosa gives technical support to the digital archiving of artworks kept in the Rare Artworks Library at Istanbul University. The project aims to help preserve nearly 100 thousand rare artworks, including books, photographs, manuscripts, maps, sheet-music, newspapers, magazines, calligraphy, and ceramics for future generations. The project won the first prize in the "Social Responsibility" category at the 2010 AMPD Awards (Trade Council for Shopping Centers and Retailers of Turkey).

Computer training for women

With its "Technology for Women" project, initiated in 2007, Teknosa has been offering free computer courses to women in various cities of Turkey. The project, by improving the technological skills of women, seeks to increase their integration into social and cultural life. Within the scope of this project, nearly 12 thousand women from 41 cities have received free computer training over the past five years.

ORGANIZATIONAL CHART



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Company initiated the preliminary compliance work as put forward by Capital Markets Board (CMB)'s "Communiqué on Determining and Implementing Corporate Governance Principles", Serial: IV No: 56, on December 30, 2011, the exact same date when the Communiqué was published in the Official Gazette (No: 28158), and came onto effect. Our Company's progress in complying with the principles put forward by the Communiqué are explained below.

Corporate Governance Compliance Report is prepared in accordance with Capital Markets Board (CMB)'s principle No. 4/88, dated February 1, 2013.

Teknosa adheres to the 4 principles of corporate governance, which are Transparency, Fairness, Responsibility and Accountability.

At the General Meeting of Shareholders, which convened on April 12, 2012, in compliance with Communiqué, Serial: IV No: 5612;

- It was unanimously agreed to grant the Board of Directors full authority to sell to the public 1,100,000,000 of the shares (with a nominal value of 1 Kuruş per share) held by HACI ÖMER SABANCI HOLDİNG ANONİM ŞİRKETİ as part of the paid-in capital of TL 110,000,000.00 of the Company, which adopted the Registered Capital System, pursuant to CMB's permission dated March 21, 2012 and numbered B.02.6.SPK.0.13.00.110.03.01-833-3317. The Board was also granted the right to sell to the public additional 165,000,000 shares.
- Independent Board Members were elected, and Muhterem Kaan Terzioğlu and Oğuz Nuri Babüroğlu were elected to serve on the Board for a 3-year term.
- It was agreed to make amendments to the Articles of Association during the Company's initial public offering. Within the frame of the capital system, it was agreed to accommodate the Company's Articles of Association to Capital Markets Law and relevant provisions. Accordingly and pursuant to CMB's permission dated March 21, 2012 and numbered B.02.6.SPK.0.13.00.110.03.01-833-3317, and pursuant to the permission letter granted by TR Ministry of Customs and Trade, Directorate General of Domestic Trade, dated March 21, 2012 and numbered B.21.0.İTG.03.00.01./431.02-59483-249523-1941-2104, it was agreed to make amendments to the

Introduction part of the Company's Articles of Association as well as to the articles 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 19, 20, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34 and 36. It was also agreed to remove the provisional clauses 1, 2, and 3 from Article 29, and the last paragraph pertaining to the association, and to add the articles 23, 24 and 26 to the Company's Articles of Association.

- It was agreed that the Company adopts the Registered Capital System and has a registered capital ceiling of TL 200 million.

The Company shares all required information with all of its investors and analysts in a timely, consistent and steady manner, and in order to ensure continuous communication with them, it organizes investor meetings, and conferences. Additionally, the Company strives to reach more investors via press releases and media sessions.

The Company has complied with and implemented the required principles pertaining to the disclosure of the resumes of Board of Directors nominees, public disclosure of independent member nominees, public disclosure of the remuneration policy, public disclosure of information regarding related party transactions, and the formation and structure of Committees.

On the other hand, full compliance hasn't been achieved yet due to some difficulties experienced during the implementation of certain 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 developments in this area are closely followed and compliance efforts continue.

In order to achieve full compliance, the developments in the legislation and relevant implementations will be taken into consideration, and necessary steps will be taken in the coming period as well.

SECTION I- SHAREHOLDERS

2. Shareholder Relations Department

The Company's Investor Relations Unit engaged in shareholder relations is managed by Gamze Hacaloğlu Harman, Financial Control Manager, under the coordination of Nevgül Bilsel Safkan, Deputy General Manager of Financial Affairs. The Unit can be accessed at yatirimciiliskileri@teknosa.com or at +90 (216) 468 36 36 or 444 55 99, or via fax number +90 (216) 478 53 47.

Investor Relations Unit is in charge of regularly informing the shareholders and prospective investors about the Company's activities, financial condition and strategies, however excluding confidential information and trade secrets, without causing any information inequality, and it is also responsible for ensuring a two-way communication between the Company's management and the shareholders.

Investor Relations Unit is in charge of carrying out shareholder relations within the frame of Corporate Governance Principles. As part of its duties, the Unit held 115 meetings in 2012 with investors and analysts both abroad and in Turkey; replied all questions and e-mails from the shareholders.

In 2012, the Company made 7 material disclosures on the Public Disclosure Platform ("KAP"), pursuant to CMB (Capital Markets Board) regulations. Since these material disclosures were made in a timely fashion, neither CMB nor ISE (Istanbul Stock Exchange) imposed any penalties on the Company.

The Company isn't listed on any foreign stock exchanges.

3. Exercise of Shareholders' Rights to be Informed

In 2012, Shareholder Relations Unit responded to all questions and demands from the shareholders via phone calls, e-mails or face to face interviews. All information sought by the shareholders were announced on the website within required time limits.

The appointment of a Special Auditor has not as yet been stipulated as an individual right in the Articles of Association, and no such demand was received from the shareholders in 2012.

4. Information on General Meetings of Shareholders

Teknosa İç ve Dış Tic. A.Ş. held one Ordinary General Meeting of Shareholders on April 12, 2012, and shareholders representing 92.95% of total shares attended this Meeting. The main agenda of the Meeting consisted of the election of Independent Board Members, amendments to the Company's Articles of Association, adoption of the registered capital system, and decisions regarding the initial public offering.

As described in Corporate Governance Principle, No. 1.3.1, the invitation to the General Meeting of Shareholders was announced in a manner as set out by the legislation, and to reach as many shareholders as possible, using all communication means including electronic medium, and minimum three weeks before the meeting. The Company has no preferred stocks. Each Company share comprises one voting right, and there are no preferred voting rights.

The Company held its initial public offering on May 17, 2012, and the General Meeting of Shareholders was held on April 12, 2012, with an invitation and announcement pursuant to the provisions of the Turkish Commercial Code. Therefore, the announcement on the website as required by the Corporate Governance Principle, No. 1.3.2, wasn't made for this specific General Meeting of Shareholders.

Klik İç ve Dış Tic. A.Ş., a subsidiary of the Company, held one Ordinary and one Extraordinary General Meeting of Shareholders in 2012. The Extraordinary General Meeting, at which capital amendment draft and capital increase were discussed, was held on January 27, 2012, with 100% participation. The Ordinary General Meeting was held on April 12, 2012, with 100% attendance. The invitations to these meetings were made in compliance with the provisions of the Turkish Commercial Code, and the Company's Articles of Association.

In order to ensure that registered shareholders recorded in the shareholder register attend the General Meeting, recording was done until one day before the General Meeting.

The Annual Report, which also includes the audited figures for 2011, was presented to the shareholders for review at the Company's Headquarters 15 days before the General Meeting. Shareholders didn't exercise their right to ask questions during the General Meeting, and no suggestions were proposed outside the agenda.

Decisions described as important in the Turkish Commercial Code are presented to the shareholders for approval at the General Meeting. Once legal compliance to Corporate Governance Principles is achieved, all important decisions that take place in changed laws, will also be presented to the shareholders for approval at the General Meeting.

In 2013, shareholders, whose shares are registered with the Central Securities Depository, will be able to attend the General Meeting in person or by proxy at the physical location of the meeting, or they may choose to attend by using the Electronic General Meeting system either themselves or by proxy.

Shareholders are informed about the donations and grants made within the period under a separate agenda item at the General Meeting.

5. Voting Rights and Minority Rights

There are no preferred voting rights in the Company's Articles of Association.

Teknosa respects the exercise of minority rights, pursuant to Turkish Commercial Code and CMB regulations, and the Company did not receive any complaints or negative criticisms regarding this matter.

6. Dividend Distribution Policy and Timing of Distribution

The Company's Dividend Distribution Policy is as follows:

The Company's Dividend Distribution Policy stipulates that a minimum of 20% of distributable profit as determined by the Capital Markets Regulation, will be distributed to shareholders in the form of either cash or bonus shares. This Policy is reviewed each year by the Board of Directors, taking into consideration any changes that might have happened in either national or global economy as well as the status of ongoing projects and funds.

Teknosa İç ve Dış Tic. A.Ş. acts in a sensitive manner when it comes to distributing profit to its shareholders, and always adheres to applicable legislation. The Company places a lot of importance on the concept of 'dividend yield' in capital markets, and strives to make dividend yield higher than the yield of risk-free investment options in its assessments.

As put forward in Clause 33 of its Articles of Association, the Company complies with the provisions of the Turkish Commercial Code and the Capital Markets Law.

Within the scope of the Company's Dividend Distribution Policy, dividend is distributed equally to all shares within the relative accounting period. The Company doesn't grant any privileges in dividend distribution.

The Company didn't pay dividends in 2011 due to its financial results after the acquisition. The same situation is valid for 2012 as well. The Company plans to pay dividends in the coming years once the conditions allow.

7. Transfer of Shares

The Company's Articles of Association does not contain any provisions that restrict the transfer of shares.

SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

The Company implements a Disclosure Policy as described in CMB's Corporate Governance Principles. As required by this Disclosure Policy, partially audited consolidated financial results for the six months, and fully audited consolidated financial results for the 12-month period are announced to the public on KAP (Public Disclosure Platform), on the Company's website, and/or via the media. The financial statements prepared in line with International Financial Reporting Standards (IFRS) were announced to the public within the time limits set by CMB.

The Chairman of the Board, Haluk Dinçer, and General Manager, Mehmet Nane are in charge of implementing the Disclosure Policy.

Material disclosures are the responsibility of Deputy General Manager of Finance. In 2012, 7 material disclosures were made, and since these disclosures were made within the legal time limits, the Company didn't face any penalties.

Any information fit to be disclosed to the public, is announced on KAP (Public Disclosure Platform), and the Company's website, in a timely, accurate, complete, easily understandable, easily interpretable, and easily accessible fashion.

In order to protect confidential information, the Company has a list of "persons privy to insider trading information", and the employees on this list were asked to submit their statements as to their understanding of the responsibilities about protecting and not abusing such information. The Company is meticulous about asking the same statement from the new people added to the list. The names and titles of the persons privy to insider trading information are listed below:

Name/Last Name	Title
Haluk Dinçer	Chairman of the Board of Directors
Temel Cüneyt Evirgen	Vice Chairman of the Board of Directors
Muhterem Kaan Terzioğlu	Independent Board Member
Oğuz Nuri Babüroğlu	Independent Board Member
Neriman Ülsever	Board Member
Barış Oran	Board Member
Mehmet Tevfik Nane	General Manager, Chairman of the Executive Board
Bülent Gürcan	Deputy General Manager - Operations
Nevgül Bilsel Safkan	Deputy General Manager - Financial Affairs
Asena Yalınız	Deputy General Manager - Human Resources
Önder Kaplancık	Deputy General Manager - Information Systems and Operational Support
Kemal Yaman	Deputy General Manager - Dealer Group Denetim Başkanı
Namık Demirkan	President of Audit
Nedim Erdal	Category Director
Mehmet Necil Oyman	Sales Director
Cengiz Bandak	Group Manager of Investments
Gamze Hacaloğlu	Financial Control Manager
H. Devrim Şentürk Kaya	Legal Adviser
Mehmet Uysaler	Acoounting Manager
Emel Sayınataç	Finance Manager
Songül Çavuşoğlu	Management & Organization Manager
Ebru Anıldı	Compensation and Labor Relations Manager

9. Company Website and Its Contents

The Company's corporate website address is www.teknosa.com, and it is currently being revised in line with CMB's Corporate Governance Principles, Section II, Article 1.11.5.

Due to the requirements of the Disclosure Policy, the below information will be available on the Company's website in both Turkish and English:

- Company Profile (Vision, Mission, History, Shareholder Structure, Executive Management, etc.)
- Executive Management (Board of Directors, Audit Board, Committees etc.)
- Declaration of Compliance with Corporate Governance Principles
- Public Disclosures
- Policies
- Stock Performance
- Annual Reports
- Financial Statements
- Contact Information

10. Annual Report

The annual report is prepared in accordance with CMB Communiqué, Serial: XI., No. 29, as well as with CMB's Corporate Governance Principles. After it is presented to the Board of Directors for approval, the report and the financial statements are announced to the public. The annual report is also accessible on Teknosa's website, www.teknosa.com.

SECTION III-STAKEHOLDERS

11. Announcements to Stakeholders

Within the scope of the Disclosure Policy, the Company openly shares all information, excluding trade secrets, with stakeholders via public announcements, media, meetings, and etc.

Additionally, company employees are informed via e-mails, training programs, seminars, and meetings which cover their fields of expertise or general areas of interest. There is also a portal available for the employees, and they can access any information or documents on this portal.

In order to protect the rights of stakeholders, the Company embraces ethical principles, and has established an ethics committee. Stakeholders can reach the ethics committee at etik@sabanci.com, and etik@teknosa.com e-mail addresses, or at +90 (212) 385 85 85. The Audit Committee and/or the Corporate Governance Principles Committee are informed if and when required.

12. Stakeholder Participation in Management

In order to follow customers' and employees' demands and suggestions, Customer Feedback System and Employee Feedback System are effectively utilized.

Employees' participation in management is ensured by organizing regular company meetings (at least twice a year), as well as at the annual goal-setting and performance evaluation meetings. Additionally, employees can give their feedback to the management and to their colleagues through the 3600 feedback mechanism. The results are reviewed at various management meetings, and action plans are made in order to realize the necessary changes. With these practices, employees can participate in and contribute to achieving a more effective management at the Company.

Communication channels are always kept open for other stakeholders as well.

13. Human Resources Policy

The goal of the human resources management at Teknosa is to develop and implement human resources strategies that create value, and help achieve the Company's vision and business goals.

The human resources strategy at Teknosa is to implement a world class human resources management in all areas of activity, and make Teknosa an exemplary company where everyone wants to or are proud to work at.

In order to realize this strategy, the Human Resources Department of the Company strives to create a management team that

- acts in a very selective manner in recruitment and promotion decisions,
- motivates employees towards exciting goals,
- manages employees according to high performance standards,
- holds the management and the employees responsible for business results,
- gives the employees the opportunity to realize their potentials and use their talents,
- rewards superior performance.

As a subsidiary of Sabancı Holding, Teknosa aims to become a company that is

- Reliable,
- Responsive to others,
- Committed to ethical values,
- Open to change,
- Market oriented,
- Capable of long-term thinking,
- Innovative,
- a preferred workplace for individuals who are open to collaboration.

As part of its Human Resources policy, the Company embraces the principle of equal opportunity for persons with equal qualifications. Thus, the Company treats all employees fairly, and doesn't discriminate them due to their religion, language, race or gender, and takes all necessary measures to protect employees against bad treatment.

Teknosa aims to become an exemplary company where a world class human resources management policy is implemented, and where everyone wants to or are proud to work at. At Teknosa, Human Resources Policies define the essential practices and priorities pertaining to human resources management.

Through its Human Resources policies, the Company strives to add qualified employees to its workforce, to invest in its employees by helping them further develop themselves and realize their potentials, to offer continuous training, to further improve and strengthen the overall organization, to implement compensation and rewards programs that increase employee motivation and loyalty, and thus to become a distinguished company.

Employees are made aware of job descriptions and distributions, as well as performance and rewarding criteria. The Company considers efficiency as an important factor in determining employee compensation and benefits.

Pursuant to the Workplace Safety and Health Law, the Company plans to appoint an employee representative who will participate in and follow workplace safety and health related efforts, demand that measures are taken, offer suggestions, and will be authorized to represent employees in all these matters.

14. Ethical Rules and Social Responsibility

The Company has already established rules of business ethics, and started to implement them. The employees are informed about these rules through the company portal, booklets which are distributed to all employees, and training programs. Additionally, all employees update their knowledge about the rules of business ethics through an e-learning program at the end of each year, and fill out a "Business Ethics Compliance" form to declare their commitment to business ethics.

Focusing on the concepts of "sustainability" and "creating social value", the Company carries out social responsibility projects mainly in the areas of education, culture & arts, including projects such as technology for women, preserving rare artworks, and national team sponsorship.

Adhering to its responsibilities as the leader of its sector, Teknosa acts as a pioneer by committing itself to educational activities in order to raise young people's consciousness about technology and the environment. Accordingly, Teknosa sets an example in the sector with its environmental practices such electronic waste collection, introduction of eco-friendly bags, and energy efficiency efforts.

Since 2003, Teknosa has been collecting electronic waste and batteries either at disposal stations placed in Teknosa stores or by collecting such wastes from customers' houses free of charge, and sending them to a recycling facility in collaboration with Exitcom. With this initiative, the Company helped recycle tons of electronic waste, and thousands of batteries. In 2011, 14% of all disposed batteries collected in Turkey was collected by Teknosa.

Additionally, throughout 2011 and 2012, the Company carried out several other activities to help create environmental awareness in the society, such as the e-waste clothing exhibition developed in collaboration with the Fashion Designers Association; various exhibitions at shopping malls; and the project of collecting electronic waste with traditional scrap dealer carts in the streets of Istanbul on June 3rd, to commemorate World Environment Day.

Relations With Other Subsidiaries of Sabancı Holding Group

In its Report dated February 28, 2013, the Board of Directors of Teknosa concludes that, in all transactions made in 2012 between Teknosa and its parent company, as well as with the other subsidiaries of the parent company, either the transactions were completed or the required measures were taken, and, in cases where the Company refrained from taking the required measures, due consideration was provided based on all facts and conditions known to the Company's Board at the time, and, in this context, that there are no measures taken, or refrained from, that can harm the Company, and, accordingly, there are no transactions or measures that require balancing.

SECTION IV-BOARD OF DIRECTORS

15. The Structure of the Board of Directors

The structure of the Board of Directors, which complies with the Article 4.3 of Corporate Governance Principles, is explained below.

The Company is managed and represented by a Board of Directors comprising a minimum of six members who are elected at the General Meeting of Shareholders, pursuant to the provisions set forth by the Turkish Commercial Code, and Capital Markets Law.

As described in the Corporate Governance Principles, majority of the Board Members are non-executive members. Two Board Members are independent members, and Board Members are elected at the General Meeting of Shareholders in accordance with Corporate Governance Principles.
Term of office of Board Members may not exceed 3 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.

Executive, non-executive, and independent members of the Company's Board of Directors are listed below, and their resumes are included in the annual report:

Name/Last Name	Position	Years of Service at the Company	Other Title
Haluk Dinçer	Chairman	7	President of the Retail and Insurance Group of Sabancı Holding
Temel Cüneyt Evirgen	Vice Chairman	6	Faculty Member at Sabancı University
Muhterem Kaan Terzioğlu	Independent Board Member	Since the General Meeting held in April 2012	Consultant
Oğuz Nuri Babüroğlu	Independent Board Member	Since the General Meeting held in April 2012	Faculty Member at Sabancı University
Neriman Ülsever	Board Member	Since the General Meeting held in April 2012	Group President of Human Resources at Sabancı Holding
Barış Oran	Board Member	Since the General Meeting held in April 2012	Group President of Planning, Reporting, and Finance at Sabancı Holding

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

16. Operating Principles of the Board of Directors

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.

In 2012, the Company's Board of Directors convened for 147 meetings. The Chairman of the Board determines the agenda of the Board meetings, after conferring with the Board Members and the General Manager. In order to allow the Board Members to make the necessary reviews and preparations, they are informed about the items and the content of the meeting agenda in advance, as required legally.

At the Board meetings each member has one vote, and unanimous consent is sought while resolving matters, and the Board always complies with Corporate Governance Principles. In 2012, all Board members, excluding those who were excused, attended all the Board meetings. Since Board Members didn't have any questions regarding these matters, they aren't recorded in the minutes. No opposite opinions were put forward against the resolutions reached by the Board Members at the Board meetings held in 2012.

The qualifications of the Board Members match the criteria described in CMB's Corporate Governance Principles. The minimum qualifications required to be a Board Member aren't described in the Company's Articles of Association.

However, management rights and representation authority of the Company's Board of Directors are described in the Articles of Association.

In 2012, Board Members neither engaged in any business with the Company nor attempted to go into any business that would fall within the Company's scope of operations.

17. The Number, Structure, and the Independence of the Committees Formed by the Board of Directors

The Board of Directors forms several committees in order to effectively fulfill its duties and responsibilities. The Committees reach certain decisions after conducting some studies. Then, they present these in the form of proposals to the Board's consideration, and the Board makes the final decision. The Committees are as follows;

Corporate Governance Principles Committee

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 efforts at Teknosa are carried out by the Corporate Governance Committee which comprises three members. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among independent members. Should the position of Chairman become vacant, the Chairman of the Board assigns one of the committee members as temporary chairman until the new Chairman is appointed at the next Board meeting. Corporate Governance Committee is run by Muhterem Kaan Terzioğlu and Neriman Ülsever, under the chairmanship of Oğuz Nuri Babüroğlu.

The Corporate Governance Committee monitors the Company's conformity with Corporate Governance Principles, makes suggestions for improvement, and oversees the progress of the Shareholder Relations Department.

Corporate Governance Committee meetings are held at least four times a year, at a location deemed appropriate by the Chairman of the Committee. The annual meeting calendar is determined by the Chairman of the Committee and announced to all committee members at the beginning of each year.

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. The Audit Committee at Teknosa has currently one member, Oğuz Nuri Babüroğlu, and is chaired by Muhterem Kaan Terzioğlu.

The Audit Committee convenes at least four times a year to oversee the progress of the Audit Board, to review the presentation for the Board of Directors, the work of the Independent Audit company, the financial statements, and any breaches of the rules of business ethics, and inappropriate behaviors.

The committees did not confront any conflict of interest issues in 2012.

18. Risk Management and Internal Control

Teknosa embraces the notion that every risk brings 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 lay out the procedures and principles which will be adhered to during the process of defining and implementing the necessary measures and strategies against such risks.

The Board of Directors appoints one chairman and one member for the Risk Committee from among Board Members. The Risk Committee invites any Company managers it deems appropriate to the committee meetings, and appoints one of these managers as the Risk Manager. The Committee convenes quarterly, and the Risk Manager also carries out the secretary duties for the committee. The duties of the Risk Committee are as follows:

- 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 made in accordance with Teknosa's and Sabancı Holding's strategic business goals, and predefined "Risk-Taking Limits",
- To ensure that Corporate Risk Management (CRM) becomes a proactive process as an integral and crucial part of Teknosa's corporate culture.

Risk is identified as an unexpected occurence that may have negative impacts on the company's activities and business goals. Identified and monitored risks types are listed below;

Financial Risks include risks related to exchange rates, investment portfolio, loans, liquidity, and insurance.

Operational Risks include risks related to supply, productivity, capacity utilization, pricing, sales, customer satisfaction, product/service development, human resources, information safety and business continuity, employee health and safety, environmental health and safety, information systems and technologies, taxes, legal, brand management, reputation, performance management, external reporting and compliance, internal reporting, monitoring and control, authorizing, and limits.

Strategic Risks are internal and external risks that make a negative impact on the Company's strategic business objectives. (Such as risks related to planning, business model, business portfolio, investment analysis, corporate governance).

External Risks include risks related to the economy, politics, legal regulations, business continuity, customer trends, sector, changes in technology, relations with shareholders.

The Company has an Internal Control Mechanism, which effectively carries out the duties assigned by the Board of Directors, in compliance with the bylaws of the Audit Committee. The Audit Committee is chaired by Board Member, Muhterem Kaan Terzioğlu.

19. The Company's Strategic Goals

The Company's Board of Directors has determined the vision and the mission of the Company, and these are included in the Annual Report, and announced to the public on the Company's website, www.teknosa.com.

The Board of Directors sets the Company's strategic goals for the next three years after discussing them at the General Meeting of Shareholders, and updates these goals every year.

20. Remuneration of the Board of Directors

Any remuneration, rights and benefits granted to the Company's Board Members are detailed in the Articles of Association. The attendance fees paid to the Chairman and the Board Members are determined at the General Meeting.

The salaries paid to executive managers are announced to the public under the notes to the financial statements.

Remuneration of Independent Board Members isn't made by stock options or performance-based payment methods.

In 2012, the Company did not lend any money or give out any loans to Board Members; did not extend the due date or improve the terms and conditions of existing debts or loans; did not grant any individual loans via third persons, or did not offer surety guarantees.

AUDITORS' REPORT

Audited Company : Teknosa İç ve Dış Ticaret Anonim Şirketi
Auditors : Levent Demirağ
Taner Aytan

Dear Shareholders,

We have examined the accounts and transactions of Teknosa İç ve Dış Ticaret Anonim Şirketi for the period of January 1, 2012 - December 31, 2012, according to Turkish Commercial Code, the Company's Articles of Association, other regulations, and generally accepted accounting principles and standards.

In our opinion, the balance sheet as of December 31, 2012 reflects the financial status of the Company at the date; the income summary sheet for the period January 1, 2012 - December 31, 2012 reflects the operational results of the period.

We hereby submit the approval of the balance sheet, profit and loss statement, and the acquittal of the Board of Directors to your votes.

Respectfully Yours,

Auditors

Levent Demirağ **Taner Aytan**

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

pwc

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Teknosa İç ve Dış Ticaret A.Ş.

1. We have audited the accompanying consolidated financial statements of Teknosa İç ve Dış Ticaret A.Ş. and its subsidiary (collectively referred to as the "Group") which comprise the consolidated balance sheets as of 31 December 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

The Group management's Responsibility for the Consolidated Financial Statements

2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards accepted by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the Capital Markets Board. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion
Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Teknosa İç ve Dış Ticaret A.Ş. as at 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with the financial reporting standards accepted by the Capital Markets Board (Note 2).

Additional Paragraph for Convenience Translation into English

5. The accounting principles described in Note 2 to the consolidated financial statements (defined as the "CMB Financial reporting Standarts") differ from International Financial Reporting Standarts ("IFRSs") issued by the International Accounting Standarts Board with respect to the application of inflation accounting for the period between 1 January-31 December 2005 and presentation of basic financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Gökhan Yüksel, SMMM
Partner
Istanbul, 13 February 2013

CONTENTS **PAGE**

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

	Notes	2012	2011
ASSETS			
Current assets:			
Cash and cash equivalents	4	355.210	186.596
Financial investments	25	3.009	-
Trade receivables			
- Due from related parties	23	6.406	3.302
- Other trade receivables	5	26.358	25.338
Other receivables	6	-	547
Inventories	7	471.973	260.925
Other current assets	13	23.769	21.654
Total current assets		**886.725**	**498.362**
Non-current assets:			
Investment property	8	11.124	11.241
Property, plant and equipment	9	94.072	78.681
Intangible assets	10	9.422	6.128
Deferred income tax assets	21	3.276	4.394
Other non-current assets	13	4.735	5.585
Total non-current assets		**122.629**	**106.029**
Total assets		**1.009.354**	**604.391**

These consolidated financial statements have been approved for issue by the Board of Directors on 13 February 2013.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

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

	Notes	2012	2011
LIABILITIES			
Current liabilities:			
Trade payables			
- Due to related parties	23	2.547	2.143
- Other trade payables	5	760.158	426.772
Other payables	6	8.646	7.178
Income taxes payable	21	5.353	-
Other current liabilities	13	34.943	21.578
Total current liabilities		**811.647**	**457.671**
Non-current liabilities:			
Provision for employment termination benefits	12	1.438	907
Other non-current liabilities		32	19
Total non-current liabilities		**1.470**	**926**
Total liabilities		**813.117**	**458.597**
Equity:			
Share capital	14	110.000	110.000
Adjustment to share capital	14	6.628	6.628
Restricted reserves	14	8.630	8.630
Other reserves		3	3
Retained earnings/(Accumulated losses)		20.533	(29.692)
Net profit		50.443	50.225
Total equity		**196.237**	**145.794**
Total liabilities and equity		**1.009.354**	**604.391**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

	Notes	2012	2011
Continuing operations			
Sales (net)	15	2.329.707	1.669.631
Cost of sales (-)	15	(1.881.480)	(1.304.345)
Gross profit		**448.227**	**365.286**
Marketing, sales and distribution expenses (-)	16	(339.469)	(273.796)
General administrative expenses (-)	16	(32.236)	(32.084)
Other operating income	18	25.978	38.288
Other operating expenses (-)	18	(3.943)	(12.586)
Operating profit		**98.557**	**85.108**
Financial income	19	49.219	36.592
Financial expenses (-)	20	(83.139)	(62.064)
Profit before taxation on income		**64.637**	**59.636**
Taxation on income		**(14.194)**	**(9.411)**
Current tax expense	21	(13.076)	-
Deferred tax expense	21	(1.118)	(9.411)
Net profit		**50.443**	**50.225**
Other comprehensive income/loss (after tax)		-	-
Total comprehensive income		**50.443**	**50.225**
Earnings per 1.000 shares (TL)	22	4,59	4,56

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

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

			Restricted reserves				
	Share capital	Adjustment to share capital	Legal reserves	Extraordinary reserves	Other reserves	Retained earnings/ (accumulated losses) and net profit for the year	Total equity
Balances at 1 January 2011	**110.000**	**6.628**	**758**	**7.872**	**3**	**(29.692)**	**95.569**
Total comprehensive income	-	-	-	-	-	50.225	50.225
Balances at 31 December 2011	**110.000**	**6.628**	**758**	**7.872**	**3**	**20.533**	**145.794**
Balances at 1 January 2012	**110.000**	**6.628**	**758**	**7.872**	**3**	**20.533**	**145.794**
Total comprehensive income	-	-	-	-	-	50.443	50.443
Balances at 31 December 2012	**110.000**	**6.628**	**758**	**7.872**	**3**	**70.976**	**196.237**

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

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

	Notes	2012	2011
Operating activities:			
Profit before taxation on income		64.637	59.636
Adjustments:			
Interest expense, credit card commissions and other financial expenses	20	82.444	60.803
Depreciation and amortization	8, 9, 10	23.132	19.537
Provision for employment termination benefits	12	2.290	2.378
Losses due from the disposals of tangible assets related to the closed stores	9, 10	4.172	1.958
Provision for impairment of inventory		408	23
Impairment of tangible assets related to the stores to be closed/(released), net	9, 10	(4.250)	4.474
Interest income	19	(7.534)	(6.269)
Gain from bargain purchase	18	-	(20.625)
Net cash before changes in assets and liabilities		**165.299**	**121.915**
Trade and other receivables		(473)	(3.956)
Due from related parties		(3.104)	(1.183)
Inventories		(211.456)	(74.394)
Other current assets		(2.115)	3.258
Other non-current assets		850	202
Trade payables		333.386	170.245
Due to related parties		404	623
Other current liabilities and payables		14.833	(9.038)
Other non-current liabilities		13	(3)
Employment termination benefits paid	12	(1.759)	(1.853)
Taxes paid		(7.723)	-
Cash flows from operating activities		**288.155**	**205.816**
Investing activities:			
Purchase of financial investments		(3.009)	-
Acquisition of a subsidiary		-	(2.104)
Purchases of investment property	8	-	(120)
Purchases of tangible assets	9	(37.104)	(27.682)
Purchases of intangible assets	10	(4.518)	(2.226)
Cash flows from investing activities		**(44.631)**	**(32.132)**
Financing activities:			
Interest, credit card commissions and other financial expenses paid		(82.444)	(60.675)
Interest received		7.534	6.046
Cash flows from financing activities		**(74.910)**	**(54.629)**
Net increase in cash and cash equivalents		168.614	119.055
Cash and cash equivalents at the beginning of the period	**4**	**186.596**	**67.541**
Cash and cash equivalents at the end of the period	**4**	**355.210**	**186.596**

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

NOTE 1-ORGANISATION AND NATURE OF OPERATIONS

Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa" or the "Company") was established at 9 March 2000, and is engaged in retail sales of consumer electronics through its stores and air-conditioners and white goods through its dealers. The Company's parent is Hacı Ömer Sabancı Holding A.Ş. and is ultimately controlled by Sabancı family members. Then number of personnel of the Company is 3.689 as of 31 December 2012 (31 December 2011: 3.278). The Company has been registered in Turkey and operates under the laws and regulations of Turkish Commercial Code.

The Company operates in Turkey in 141.079 stores with 283 square meters retail space as of 31 December 2012 (31 December 2011: 128.311 square meters, 269 stores). For the subsequent store openings/ closing please refer to Note 27. The registered office address of the Company is as follows:

Batman Sokak Teknosa Plaza No: 18
Sahrayıcedit-İstanbul

Subsidiaries

Klik İç ve Dış Ticaret A.Ş., which is owned by the Company 100%, was included in the scope of consolidation at 31 December 2011 due to the plans of extension of its operations. The main activity of the subsidiary is to sell electronic equipment through the web site "www.kliksa.com".

Teknosa and its subsidiary will be referred to as the "Group".

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Financial Reporting Standards

The Capital Markets Board of Turkey ("CMB") regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25 "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS/ TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB has not been announced by TASB as of date of preparation of these financial statements, the consolidated interim financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB ("CMB Financial Reporting Standards") which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats required by the CMB on 14 April 2008 including the compulsory disclosures.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Financial Reporting Standards (Continued)

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

Teknosa and its subsidiary maintain their books of account and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

The consolidated financial statements are prepared in Turkish Lira based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair values and are presented in thousands of Turkish Lira.

2.2 Basis of consolidation

The basis of preparation of these consolidated financial statements is summarized below:

The consolidated financial statements include the accounts of the parent company, Teknosa, and its subsidiary. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards. The results of operations of the subsidiary are included or excluded from their effective dates of acquisition or disposal respectively.

A subsidiary is a company over which Teknosa has the power to control the financial and operating policies for the benefit of Teknosa, as a result of shares owned directly.

The balance sheet and statement of income of the subsidiary is consolidated on a line-by-line basis and the carrying value of the investment held by Teknosa and its subsidiary is eliminated against equity. The intercompany transactions and balances between Teknosa and its subsidiary are eliminated on consolidation.

2.3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank deposits (Note 4).

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Related parties

For the purpose of consolidated financial statements, major shareholders, Hacı Ömer Sabancı Holding A.Ş. and affiliates (together referred to as "Sabancı Holding Group"), directors and key management personnel together with their close family members and companies and subsidiaries controlled or affiliated by them are considered and referred to as related parties (Note 23).

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables that deferred financial income is netted-off and calculated by discounting amounts that will be collected of trade receivables recorded in the original invoice value in the subsequent periods using the effective yield method. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 5).

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Collection risk due from the credit card sales of the Group belongs to the bank, the risk of doubtful trade receivables due from the credit card slip receivables limited within the financial condition and the risk of bank. The Group collects the instalments of its credit card sales according to the mutually agreed discount rates with the banks and financial institutions on the following day when the sale made within the scope of the credit card sales contracts made under the various banks and financial institutions.

If the amount of the impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited to other income.

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 moving 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. 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 (Note 7).

Volume rebates, stock protection and sales support premiums are reflected to the cost of the related stock item, other benefits from suppliers like insert and stand income are classified under other operating income.

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Inventories and cost of goods sold (Continued)

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

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

Investment property

Buildings and land held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, or for administrative purposes or sale in the ordinary course of business, are classified as investment property. Investment properties are carried at cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis. Depreciation is calculated on the values of investment properties (Note 8). Investment buildings are depreciated over their estimated useful lives of 50 years.

Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in each case. Property, plant and equipment are depreciated on a straight-line basis (Notes 9). The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful lives (years)
Buildings	50
Motor vehicles	5
Property, plant and equipment	4-15
Furniture and fixtures	5-10
Leasehold improvements	5-10

Intangible assets and amortization

Intangible assets comprise licenses and rights and computer software. Intangible assets are disclosed with their net value which is acquisition cost less accumulated amortization. (Note 10) The amortization periods for intangible assets, which approximate the economic useful lives of such assets, are as follows:

	Useful lives (years)
Licenses and rights	5-15
Computer software	3

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Impairment of financial assets

The Group reviews all assets with indefinite useful lives at each balance sheet date in order to see if there is a sign of impairment on the stated asset. The Group management considers the loss before interest, tax, amortization and depreciation for the stores which operates more than a year as an indicator of impairment. If there is such a sign, carrying amount of the stated asset is compared with the net realizable value which is the higher of value in use and fair value less cost to sell. Impairment exists if the carrying value of an asset or a cash generating unit including the asset is greater than its net realizable value. Impairment losses are recognized in the consolidated income statement.

The Group management accounts for provision for the impairment of the tangible assets of the stores, where an approval has been received to close down the store as of the balance sheet date.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers (Note5). Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Leases-the Group as the lessee

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated balance sheets and are disclosed as contingent assets or liabilities.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

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

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Statement of cash flows

Cash flows for the period are mainly reported depending on the operating, investing and financing activities of the Group.

Cash flows from operating activities represent the cash flows generated from the Group's sales of consumer electronics, air-conditioners and white goods.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months and which are subject to an insignificant risk of changes in value.

Borrowings

Borrowings are recognized initially at the proceeds received; net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings. Borrowing costs, including interest costs and related commissions, are capitalized for qualifying assets since 1 January 2007. Interest cost is included in the cost of assets only when expenditures have been made and activities necessary to bring the asset to its intended use are in progress. Capitalization ceases when the asset is substantially complete and ready for its intended use.

Taxes on income

Taxes on income for the period comprise of current tax and the change in deferred taxes. Current year tax liability consists of the taxes calculated over the taxable portion of the current year income by reference to corporate income tax rates enacted as of the balance sheet date and adjustments provided for the previous years' income tax liabilities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Taxes on income (Continued)

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized (Note 21).

Provision for employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 12).

Earnings per share

Earnings per share disclosed in the statement of consolidated 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 22).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period (Note 22).

Foreign currency transactions and balances

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 consolidated statement of income.

Revenue recognition

Revenue is recognized on the invoiced amount on an accrual basis at the time of deliveries or acceptances are made. Net sales represent the invoiced value of goods shipped less sales returns and commission. The fair value of the consideration is determined by discounting all future receipts using the effective yield method. The difference between the fair value and the nominal amount of the consideration is recognized as "financial income" on a time proportion basis that takes into account the effective yield on the asset.

The Group sells warranty policies to extend the warranty period of the products provided by the suppliers. In such transactions the Group acts as the agent of an insurance company where the Group has only minor administrative obligations after-sales. For this reason income earned and expenses incurred from the sale of such warranties are reflected to the financial statements when the sale of the policy occurs and net value of the transaction is presented in the income statement.

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Revenue recognition (Continued)

Gift vouchers sold by the Group to its customers are classified under other current liabilities section as an advances received. Moreover, gift vouchers are recorded as income as they are used by the customers. The Group also accounts for income for the estimated amount of gift vouchers that are not expected to be used by the customers. Unused gift vouchers are classified under advances received.

Interest income is recorded by using the effective interest rate.

Warranty expenses and provisions

Provision for warranty expenses for the air-conditioners for which the warranty liability belongs to the Group is calculated based on statistical information for possible future warranty services.

The warranty liability for the consumer electronics retail sales of the Group belongs to the manufacturer or to the importer companies. On the other hand, there is no significant liability of the Group for the extended warranty policies sold by the Group.

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 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 (Note 26).

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 group.

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Segment reporting (Continued)

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, Depreciation and Amortization ("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 Group. EBITDA is not a measure of operating income, operating performance or liquidity under CMB Financial Reporting Standards. The Group presented 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.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Subsequent events

The Group adjusts the amounts recognized in the consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influences on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements (Note 27).

2.4 Significant accounting estimates and decisions

The preparation of the financial statements requires the use of judgments and estimates which might affect the amounts of assets and liabilities, explanation of commitments and contingent liabilities which were reported as of the balance sheet date and the revenues and expenses which were reported throughout the period. Even though, these judgments and estimates are based on the best estimates of the Group's management, the actual results might differ from them. Material accounting estimates and decisions for the carrying value of the Group's assets and liabilities, operating results presented below.

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Significant accounting estimates and decisions (Continued)

Useful lives of tangible and intangible assets

In accordance with the accounting policy explained in Note 2.3, tangible and intangible assets are stated at historical cost less depreciation and net of any impairment, if any. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made.

Impairment on tangible and intangible assets

As explained in Note 2.3, property, plant and equipment are carried at the cost less accumulated depreciation and, if any, impairment. The Group evaluates its operational performance on a store-by-store basis and each store's continuity depends on the discounted net cash flow projections. Those cash flow projections are calculated, on a consistent basis to the Group's five year business plans and on a store-by-store basis by taking into consideration the remaining useful life of each store. In this context, the Group executed an impairment estimate on the leasehold improvements on stores by considering the continuity of each store. At 31 December 2012 the Group accounted for release of impairment amounting to TL4.250 (Note 9).

2.5 Amendments and Interpretations in Standards

(a) Standards, amendments and IFRICs applicable to 31 December 2012 year ends:

- IFRS 7 (amendment), "Financial instruments: Disclosures on transfers of assets", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- IAS 12 (amendment), "Income taxes" on deferred tax, is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The Group does not have the scope of these exceptions.

(b) New IFRS standards, amendments and IFRICs effective after 1 January 2013:

- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Amendments and Interpretations in Standards (Continued)

(b) New IFRS standards, amendments and IFRICs effective after 1 January 2013: (continued)

- IAS 1 (amendment), "Presentation of financial statements", regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in 'other comprehensive income'. Early adoption is permitted.

- IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

- IFRS 7 (amendment), "'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

- IAS 32 (amendment), "'Financial instruments: Presentation', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments effect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

- IFRS 9, "Financial instruments: Classification and Measurement", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

- IFRIC 20, "Stripping costs in the production phase of a surface mine"

Above amendments and interpretations have no significant effect on the consolidated financial statements of the Group, except IFRS9.

2.6 Convenience translation into English of consolidated financial statements originally issued in Turkish

The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January-31 December 2005. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3-SEGMENT REPORTING

Segmental analysis presented to the Board of Directors and the Executive Committee for the year ended 31 December 2012 is as follows:

	2012		
	Retailer	**Dealer**	**Total**
Total segment revenue	2.195.769	116.803	2.312.572
Inter-segment revenue	17.135	-	17.135
External revenues	**2.212.904**	**116.803**	**2.329.707**
Earnings before interest, tax, employment termination benefits, depreciation and amortization (EBITDA)	**105.912**	**18.067**	**123.979**
Depreciation and amortization	(22.694)	(438)	(23.132)
Taxation on income	(10.772)	(3.422)	(14.194)
Reversal of impairment charge, net	3.842	-	3.842
Total assets	**583.280**	**36.075**	**619.355**
Total liabilities (1)	**762.436**	**1.707**	**764.143**

(1) Liabilities related to the operating segments are stated in the reportable segments since they are presented within the business cycle framework to the decision-making authorities.

Segmental analysis presented to the Board of Directors and the Executive Committee for the year ended 31 December 2011 is as follows:

	2011		
	Retailer	**Dealer**	**Total**
Total segment revenue	1.572.183	97.448	1.669.631
Inter-segment revenue	-	-	-
External revenues	**1.572.183**	**97.448**	**1.669.631**
Earnings before interest, tax, employment termination benefits, depreciation and amortization (EBITDA)	**94.526**	**12.497**	**107.023**
Depreciation and amortization	(18.949)	(588)	(19.537)
Taxation on income	(8.089)	(1.322)	(9.411)
Impairment charge, net	(4.497)	-	(4.497)
Total assets	**342.814**	**42.801**	**385.615**
Total liabilities	**428.840**	**982**	**429.822**

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

NOTE 3-SEGMENT REPORTING (Continued)

The reconciliation of EBITDA to the profit before taxation income for the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
EBITDA related to reportable segments	123.979	107.023
Financial expense, net	(33.920)	(25.472)
Depreciation and amortization	(23.132)	(19.537)
Provision for employment termination benefits	(2.290)	(2.378)
Profit before taxation on income	**64.637**	**59.636**

Reportable segment assets and the reconciliation to the total assets are as follows:

	2012	2011
Reportable segment assets	619.355	385.615
Unallocated assets:		
Cash and cash equivalents	355.210	186.596
Financial investments	3.009	-
Deferred tax assets	3.276	4.394
Other current and non-current assets	28.504	27.786
Total assets	**1.009.354**	**604.391**

Reportable segment liabilities and the reconciliation to the total liabilities are as follows:

	2012	2011
Reportable segment liabilities	764.143	429.822
Unallocated liabilities:		
Other liabilities	8.646	7.178
Other current and non-current liabilities	34.975	21.597
Income taxes payable	5.353	-
Total liabilities	**813.117**	**458.597**

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 4-CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents as of 31 December 2012 and 2011 are as follows:

	2012	2011
Cash	1.043	1.329
Banks		
- demand deposits (Turkish Lira)	859	7.412
- demand deposits (foreign currency)	111	41
- time deposits (Turkish Lira)	346.753	176.973
- time deposits (foreign currency)	6.444	841
	355.210	**186.596**

As of 31 December 2012, interest rates on foreign currency denominated time deposits are between 0,43% and 2,80% (31 December 2011: 0,21% and 3,00%). The Group's interest rates on TL time deposits are between 2,55% and 11,75% (31 December 2011: 4,25% and 11,50%).

NOTE 5-TRADE RECEIVABLES AND TRADE PAYABLES

The details of trade receivables and payables as of 31 December 2012 and 2011 are as follows:

Trade receivables:	2012	2011
Customer accounts and credit card receivables	14.032	12.625
Cheques and notes receivable	13.399	13.741
Less: unearned finance income on term sales	(149)	(456)
Less: provision for doubtful receivables	(924)	(572)
	26.358	**25.338**

Trade receivables comprise due to credit card receivables amounting to TL11.754 as of 31 December 2012 (31 December 2011: TL9.241).

The Group has obtained the following collaterals for cheques and notes receivables and trade receivables (except for the credit card receivables) as of 31 December 2012 and 2011.

	2012	2011
Mortgages	27.842	28.822
Letters of guarantee	15.338	11.230
Cash deposits and guarantees (Note 6)	590	652
	43.770	**40.704**

Trade payables:	2012	2011
Vendor accounts	762.827	429.264
Less: Unincurred finance costs on term purchases	(2.669)	(2.492)
	760.158	**426.772**

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

NOTE 6-OTHER RECEIVABLES AND PAYABLES

The details of other receivables and other payables as of 31 December 2012 and 2011 are as follows:

Other current receivables:	**2012**	**2011**
Prepaid taxes and funds (Note 21)	-	547
	-	**547**

Other current liabilities:	**2012**	**2011**
Taxes and funds payable	8.056	6.526
Deposits and guarantees received	590	652
	8.646	**7.178**

Deposits and guarantees consists of the cash deposits and guarantees which the Group has obtained from the air-conditioning, cash register and white good dealers within the context of dealer agreements (Note 5).

NOTE 7-INVENTORIES

The details of inventories as of 31 December 2012 and 2011 are as follows:

	2012	**2011**
Trade goods	468.456	257.829
Goods in transit	6.016	5.187
Less: provision for impairment in inventories	(2.499)	(2.091)
	471.973	**260.925**

The movements of the impairment in inventories in the year are as follows:

	2012	**2011**
1 January	(2.091)	(2.068)
Sold inventories	453	-
Current year additions	(861)	(23)
31 December	**(2.499)**	**(2.091)**

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

NOTE 8-INVESTMENT PROPERTY

Movements in investment property and related accumulated depreciation for the year ended 31 December 2012 is as follows:

	1 January 2012	Additions	31 December 2012
Cost:			
Land	2.775	-	2.775
Building	8.811	-	8.811
	11.586	**-**	**11.586**
Accumulated depreciation:			
Building	(345)	(117)	(462)
	(345)	**(117)**	**(462)**
Net book value	**11.241**		**11.124**

Movements in investment property and related accumulated depreciation for the year ended 31 December 2011 is as follows:

	1 January 2011	Additions	31 December 2011
Cost:			
Land	2.775	-	2.775
Building	8.691	120	8.811
	11.466	**120**	**11.586**
Accumulated depreciation:			
Building	(98)	(247)	(345)
	(98)	**(247)**	**(345)**
Net book value	**11.368**		**11.241**

The Group has purchased the investment property in 2011. Investment properties are carried at cost less accumulated depreciation (except for land) and impairment, if any.

In order to perform an impairment analysis on investment properties, the fair value of the investment property as of 31 December 2012 has been determined as TL26.043 by using benchmarking method. Related valuation report based on valuation determined by an independent firm which has CMB license and necessary professional experience.

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

NOTE 9-PROPERTY, PLANT AND EQUIPMENT

The movements in property and equipment and related accumulated depreciations in the years ended 31 December 2012 and 2011 are as follows:

	1 January 2012	Additions	Disposals	Impairment	Reversal of impairment	Transfers	31 December 2012
Cost:							
Lands	3.583	-	-	-	-	(139)	3.444
Buildings	6.198	-	-	-	-	19	6.217
Machinery and equipment	657	-	(341)	-	11	-	327
Motor vehicles	683	4	(610)	-	-	-	77
Furniture and fixtures	68.595	8.364	(15.254)	(1.068)	2.269	3.482	66.388
Leasehold improvements	66.734	8.567	(6.042)	(632)	5.324	13.788	87.739
Construction in progress	2.032	20.169	(113)	-	-	(18.953)	3.135
	148.482	**37.104**	**(22.360)**	**(1.700)**	**7.604**	**(1.803)**	**167.327**
Accumulated depreciation:							
Building	(551)	(112)	-	-	-	381	(282)
Machinery and equipment	(407)	(21)	147	-	(5)	-	(286)
Motor vehicles	(668)	(6)	610	-	-	-	(64)
Furniture and fixtures	(40.691)	(9.969)	14.641	949	(1.093)	94	(36.069)
Leasehold improvements	(27.484)	(10.317)	3.143	481	(1.996)	(381)	(36.554)
	(69.801)	**(20.425)**	**18.541**	**1.430**	**(3.094)**	**94**	**(73.255)**
Net book value	**78.681**						**94.072**

Transfers are related to the intangible assets (Note10).

Capitalized borrowing costs for the years ended 31 December 2012 and 2011 are TL4 and TL209, respectively.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 9-PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2011	Additions	Business combination (*)	Disposals	Impairment	Reversal of impairment	Transfers	31 December 2011
Cost:								
Lands	3.583	-	-	-	-	-	-	3.583
Buildings	5.961	237	-	-	-	-	-	6.198
Machinery and equipment	335	285	92	(25)	(30)	-	-	657
Motor vehicles	651	-	32	-	-	-	-	683
Furniture and fixtures	60.504	6.082	4.474	(3.576)	(2.997)	339	3.769	68.595
Leasehold improvements	55.338	6.782	2.796	(2.105)	(5.324)	296	8.951	66.734
Construction in progress	481	14.548	-	(25)	-	-	(12.972)	2.032
	126.853	**27.934**	**7.394**	**(5.731)**	**(8.351)**	**635**	**(252)**	**148.482**
Accumulated depreciation:								
Building	(126)	(425)	-	-	-	-	-	(551)
Machinery and equipment	(293)	(109)	(33)	5	23	-	-	(407)
Motor vehicles	(649)	(8)	(11)	-	-	-	-	(668)
Furniture and fixtures	(33.792)	(9.244)	(1.643)	2.701	1.430	(143)	-	(40.691)
Leasehold improvements	(22.084)	(7.814)	(585)	1.067	1.996	(64)	-	(27.484)
	(56.944)	**(17.600)**	**(2.272)**	**3.773**	**3.449**	**(207)**	**-**	**(69.801)**
Net book value	**69.909**							**78.681**

(*) Details of the business combinations are presented in Note 26 which is related with business combination.

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

NOTE 10-INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortizations in the years ended 31 December 2012 and 2011 are as follows:

	1 January 2012	Additions	Disposals	Reversal of impairment	Transfers	31 December 2012
Cost:						
Licenses and rights	6.845	1.622	(2.050)	8	752	7.177
Software	12.338	2.896	(624)	46	1.051	15.707
	19.183	**4.518**	**(2.674)**	**54**	**1.803**	**22.884**
Accumulated amortization:						
Licenses and rights	(3.453)	(523)	1.990	-	-	(1.986)
Software	(9.602)	(2.067)	331	(44)	(94)	(11.476)
	(13.055)	**(2.590)**	**2.321**	**(44)**	**(94)**	**(13.462)**
Net book value	**6.128**					**9.422**

	1 January 2011	Additions	Disposals	Reversal of impairment	Transfers	31 December 2011
Cost:						
Licenses and rights	6.054	688	-	-	103	6.845
Software	10.252	1.286	651	-	149	12.338
	16.306	**1.974**	**651**	**-**	**252**	**19.183**
Accumulated amortization:						
Licenses and rights	(3.159)	(294)	-	-	-	(3.453)
Software	(7.571)	(1.396)	(635)	-	-	(9.602)
	(10.730)	**(1.690)**	**(635)**	**-**	**-**	**(13.055)**
Net book value	**5.576**					**6.128**

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

NOTE 11-COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease agreements

The Group leases various retail spaces as sales area, offices and warehouses by entering into operating lease agreements. The periods of the rent agreements vary between 1-10 years. The lease agreements require the payment of a certain monthly rent or a portion of the revenue of the leasehold store. The lease agreements are basically drawn up in TL, Euro and USD and the rentals are increased by using the inflation rate or a rate close to the inflation rate during the period of the agreement. According to the present code of obligations, as long as the lessee does not terminate the agreement, lease agreements can only be cancelled by the lessor due to irregularities.

The minimum lease payments related to non-cancellable operating leases are as follows:

	2012	**2011**
Up to 1 year	99.734	89.666
1-5 years	284.934	252.122
More than 5 years	101.938	100.044
	486.606	**441.832**

Customs duty and penalty

Some of the prior year's air conditioner imports of the Group are being investigated by the Customs Consultancy Inspector within two different investigations as of 31 December 2012. As a result of these investigations, the Customs Consultancy Inspectors identifications caused 135 lawsuits amounting TL9.045 as a result of tax operations/penalties. 18 of these 135 lawsuits resulted in the Group's favour and the other 117 lawsuits amounting to TL8.974 is still present.

The result of first investigation of lawsuits amounting TL4.108 resulted in the Group's favour and appealed for correction. However, the second wave of investigations amounting TL4.937 resulted partially in Group's favour, the part of amounting to TL1.925 resulted in Group's favour whereas the part of amounting to TL3.012 was lost. Lost causes have been appealed by the Group; won causes have been appealed by the administrative board. The process is still ongoing.

The Group management did not account for any provision regarding such tax penalties in the consolidated financial statements at 31 December 2012 based on the opinions of legal counsels and customs experts and based on the fact that there are previous lawsuits finalized in favour of the Group.

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

NOTE 11-COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Collateral, pledge and mortgage position

Collaterals, pledges and mortgages ("CPM") given by the Group as of 31 December 2012 and 2011 are as follows:

			2012			2011
		Currency	**Amount**	**TL Equivalent**	**Amount**	**TL Equivalent**
A.	CPM given in the name of the Company's own legal personality	TL	67.378	67.378	11.922	11.922
		Euro	8.027	18.876	12.367	30.223
		USD	6.090	10.857	6.210	11.729
					97.111	**53.874**
B.	CPM given on behalf of fully consolidated subsidiary		-	-	-	-
C.	CPM given for ordinary course of business on behalf of third parties		-	-	-	-
D.	Total amount of other CPM		-	-	-	-
i)	Total amount of CPM given on behalf of the majority shareholder					
ii)	Total amount of CPM given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii)	Total amount of CPM given on behalf of third parties which are not in scope of C		-	-	-	-

The proportion of the CPM given on behalf of third parties except for the CPM given in the name of the Company's own legal personality to total equity as of 31 December 2012 is 0% (31 December 2011:0%).

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 12-PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who achieves the retirement age (58 for women and 60 for men) and whose employment is terminated without due cause, is called up for military service, or dies. Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2012, the amount payable consists of one month's salary limited to a maximum of TL3 (31 December 2011: TL2,7) for each year of service.

There is no funding for pension commitments other than the legal requirements.

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. CMB Financial Reporting Standards actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as of 31 December 2012 and 2011.

	2012	2011
Discount rate	2.00%	3.74%
Turnover rate to estimate the probability of retirement		
- store personnel	39%	38%
- administrative personnel	17%	17%

The discount rate is calculated over the difference between the long term TL interest and expected inflation rate.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL3 which is effective from 1 January 2012, has been taken into consideration in calculating the provision for employment termination benefit of the Group.

The movements in the provision for employment termination benefits in the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
1 January	907	382
Service cost	2.141	2.339
Interest expense	34	18
Actuarial gain	115	21
Payments	(1.759)	(1.853)
31 December	**1.438**	**907**

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

NOTE 13-OTHER ASSETS AND LIABILITIES

The details of the other current assets and other current liabilities as of 31 December 2012 and 2011 are as follows:

Other current assets:	2012	2011
Income accruals	10.955	11.841
Prepaid expenses	8.600	6.511
Advances given	3.178	2.742
Value Added Tax receivable	950	453
Other	86	107
	23.769	**21.654**

Other non-current assets:	2012	2011
Key money compensations	2.511	3.460
Prepaid expenses	1.617	1.544
Deposits and guarantees	584	558
Financial assets	23	23
	4.735	**5.585**

Other current liabilities:	2012	2011
Advances received (*)	17.687	9.225
Personnel bonuses payable	9.570	4.972
Expense accruals	6.700	6.433
Unearned revenues	852	788
Other	134	160
	34.943	**21.578**

(*) Advances received mainly consist of gift vouchers sold but not used by the customers at the balance sheet date.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 14-EQUITY

Capital

The registered and issued capital of the Company is composed of 11.000.000.000 shares with a nominal value of Kr1.

The shareholders of Teknosa and their respective shareholding structure at 31 December 2012 and 2011 are as follows:

	2012		2011	
	Share (%)	**TL**	**Share (%)**	**TL**
Hacı Ömer Sabancı Holding A.Ş.	60,28	66.311	70,28	77.311
Sabancı family	29,72	32.689	29,72	32.689
Public quotation	10,00	11.000	-	-
Paid capital	**100**	**110.000**	**100**	**110.000**
Adjustment to share capital		6.628		6.628
Total capital		**116.628**		**116.628**

Adjustment to share capital represents the revaluation effect of cash contributions with purchasing power to share capital at the last balance sheet date.

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'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.

The aforementioned reserves shall be classified in "Restricted reserves" in accordance with CMB Financial Reporting Standards. The details of the restricted reserves as of 31 December 2012 and 2011 are as follows:

	2012	2011
Legal reserves	758	758
Extraordinary reserves	7.872	7.872
	8.630	**8.630**

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

NOTE 14-EQUITY (Continued)

Retained Earnings/Accumulated Losses

The Company's accumulated losses are amounting to TL29.692 as of 31 December 2011. Accumulated losses contain the losses incurred due to the Company's domestic and international operations.

Losses incurred from international operations were incurred as a result of the liquidation of Primex SA in 2008, of which 51% of shares were acquired by the Company in 2006.

The major parts of the losses incurred from domestic operations were incurred due to the expansion strategy. In this context the Company tried various store formats, prioritized rapid deployment system and hired consultants to obtain an automation system.

NOTE 15-SALES AND COST OF SALES

The details of the sales and cost of sales for the years ended 31 December 2012 and 2011 are as follows:

Revenue:	**2012**	**2011**
Consumer electronics retail sales	2.212.904	1.572.183
Sales of air conditioning, cash registers and white goods	116.803	97.448
	2.329.707	**1.669.631**

Cost of sales:	**2012**	**2011**
Cost of goods sold	(1.869.855)	(1.296.925)
Installation and warranty expenses of air-conditioner, cash register and white goods	(11.625)	(7.420)
	(1.881.480)	**(1.304.345)**

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 16 -OPERATING EXPENSES

The details of the marketing, sales and distribution expenses for the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
Rent expenses	112.928	92.604
Personnel expenses	111.836	87.486
Advertising and promotion expenses	34.167	26.122
Depreciation and amortization	19.826	16.488
Transportation and logistics expenses	18.117	13.999
Energy, fuel and water expenses	12.600	9.892
Consulting expenses	10.392	9.279
Maintenance, repair and cleaning expenses	5.709	4.779
Amortization of key money compensations	1.310	1.828
Travel expenses	1.290	1.329
Communication expenses	1.205	1.172
Other	10.089	8.818
	339.469	**273.796**

The details of the general administrative expenses for the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
Personnel expenses	17.332	15.053
Data processing expenses	3.903	3.683
Depreciation and amortization	3.306	3.049
Rent expenses	2.929	2.598
Consulting expenses	1.853	4.373
Travel expenses	551	565
Energy, fuel and water expenses	513	591
Maintenance, repair and cleaning expenses	177	239
Other	1.672	1.933
	32.236	**32.084**

NOTE 17-EXPENSES BY NATURE

Depreciation and amortization charges and personnel expenses for the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
Personnel expenses	129.168	102.539
Depreciation and amortization	23.132	19.537
	152.300	**122.076**

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

NOTE 18-OTHER OPERATING INCOME/EXPENSES

The details of the other operating income and expenses for the years ended 31 December 2012 and 2011 are as follows:

Other operating income:	**2012**	**2011**
Income from suppliers	14.448	12.995
Release of impairment related to store optimization	3.203	-
Income from key money	3.201	-
Reversal of unused gift vouchers provision	1.031	-
Gain from bargain purchase	-	20.625
Other	4.095	4.668
	25.978	**38.288**

Other operating expenses:	**2012**	**2011**
Expenses related to store optimisation	-	(8.130)
Legal and execution expenses	(1.330)	(1.254)
Stock count differences	(588)	(872)
Other	(2.025)	(2.330)
	(3.943)	**(12.586)**

NOTE 19-FINANCIAL INCOME

The details of the financial income for the years ended 31 December 2012 and 2011 are as follows:

Financial income:	**2012**	**2011**
Due date income	41.592	29.680
Interest income	7.534	6.269
Foreign exchange gains	93	643
	49.219	**36.592**

NOTE 20-FINANCIAL EXPENSES

The details of the financial expenses for the years ended 31 December 2012 and 2011 are as follows:

Financial expense:	**2012**	**2011**
Financing and commission expenses due to collection of credit card receivables in advance	(51.925)	(40.849)
Due date expenses	(30.231)	(15.284)
Foreign exchange losses	(695)	(1.261)
Interest expense	(288)	(4.670)
	(83.139)	**(62.064)**

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 21-TAX ASSETS AND LIABILITIES

Corporate tax

	2012	2011
Corporate and income taxes payable	13.076	-
Less: prepaid taxes	(7.723)	(547)
Taxes payable /(prepaid taxes), net	**5.353**	**(547)**

Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006. Most of the articles of this new Law No. 5520 have come into force effective from 1 January 2006. The Corporation tax rate for the fiscal year 2012 is 20% (2011: 20%).

Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions and income tax deductions. No further tax is payable unless the profit is distributed. Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income by preparing tax declaration within the period of two months and 10 days subsequent to the corresponding quarter. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with Tax Law No. 5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of Turkish lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment was not applied since 2004 as these conditions were not fulfilled.

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

NOTE 21-TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of the tax expense in the consolidated statement of comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

	2012	**2011**
Profit before taxation on income	64.637	59.636
Expected tax expense at enacted tax rate (20%)	(12.927)	(11.927)
Tax effect of non-deductible expenses	(436)	(556)
Effect of carry forward tax losses	-	(1.088)
Effect of carry forward tax losses on which No deferred tax assets are accountant for	(883)	-
Effect of gain from bargain purchase (Note 18)	-	4.125
Other	52	35
Current year tax (expense)/income of the Group	**(14.194)**	**(9.411)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2012, Kliksa did not recognise deferred income tax asset of TL929 (2011: TL46) in respect of losses amounting to TL4.646 (2011: TL232) that can be carried forward against future taxable income. The expiry dates of unused tax losses are as follows:

	2012	**2011**
2013	1	1
2014	8	8
2015	223	223
2016	-	-
2017	4.414	-
	4.646	**232**

Deferred income taxes

The Group recognizes deferred income tax assets and liabilities based upon the temporary differences which resulted from different evaluations between financial statements prepared in accordance with CMB Financial Reporting Standards and the financial statements prepared in accordance with tax laws. Deferred income taxes will be calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using enacted tax rate of 20%.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 21-TAX ASSETS AND LIABILITIES (Continued)

The breakdowns of cumulative temporary differences and the resulting deferred income tax assets/liabilities as of 31 December 2012 and 2011 using principal tax rates are as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	2012	**2011**	**2012**	**2011**
Short-term:				
Inventories	9.676	6.501	1.935	1.300
Expense accruals	28.911	17.598	5.782	3.520
Deferred finance income	379	456	76	91
Income accruals	(1.699)	(2.492)	(340)	(498)
Unincurred interest expense	(2.687)	(939)	(537)	(188)
Long-term:				
Carry forward tax losses	-	10.848	-	2.170
Impairment in financial assets	6.609	6.609	1.322	1.322
Provision for employment termination benefits	1.438	907	288	181
Tangible and intangible assets	(25.134)	(16.475)	(5.027)	(3.297)
Other	(1.113)	(1.033)	(223)	(207)
Deferred income tax assets, net			**3.276**	**4.394**

Analysis of the deferred income tax assets and liabilities as of 31 December 2012 and 2011 are as follows:

	2012	**2011**
Deferred income tax assets		
To be recovered before 12 months	7.793	4.911
To be recovered after 12 months	1.610	3.673
	9.403	**8.584**
Deferred income tax liabilities		
To be settled before 12 months	(877)	(686)
To be settled after 12 months	(5.250)	(3.504)
	(6.127)	**(4.190)**
Deferred income tax assets, net	**3.276**	**4.394**

Deferred income tax assets may only be recognized to the extent it is probable that sufficient taxable profit will be available in the future. In case of a probable tax advantage, deferred income tax asset is calculated over tax losses carried forward.

Movements in deferred income taxes for the years ended 31 December 2012 and 2011 are as follows:

	2012	**2011**
1 January	4.394	4.284
Deferred tax expense	(1.118)	(9.411)
Business combinations (Note 26)	-	9.521
31 December	**3.276**	**4.394**

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

NOTE 22-EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of comprehensive income is determined by dividing net profit by the weighted average number of shares that have been outstanding during the period.

	2012	2011
Net profit for the year	50.443	50.225
Weighted average number of ordinary shares in issue	11.000.000.0000	11.000.000.0000
Earnings per 1,000 share (TL) (*)	4,59	4,56

(*) Earnings per share are expressed in full TL.

NOTE 23-TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties disclosed below are defined as related party as they are directly or jointly controlled by the Hacı Ömer Sabancı Holding A.Ş. which is the parent of Teknosa; or as Hacı Ömer Sabancı Holding A.Ş. has significant influence on the said companies.

i) Due from and due to related parties as of 31 December 2012 and 2011:

a) Due from related parties:	**2012**	**2011**
Akbank T.A.Ş.	6.269	2.884
Other	137	418
	6.406	**3.302**

Due from Akbank T.A.Ş. consists of credit card receivables amounting to TL4.659 as of 31 December 2012 (31 December 2011: TL2.856).

b) Due to related parties:	**2012**	**2011**
Bimsa Uluslararası İş Bilgi ve Yönetim Sistemleri A.Ş.	1.761	1.111
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	523	423
Vista Turizm ve Seyahat A.Ş.	155	416
Other	108	193
	2.547	**2.143**

c) Deposits at related parties:	**2012**	**2011**
Akbank T.A.Ş.		
Demand deposit	603	3.228
Time deposit	353.197	177.591
	353.800	**180.819**

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23-TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Sales to related parties and significant purchases from related parties for the years ended 31 December 2012 and 2011.

a) Product sales to related parties:	2012	2011
Akbank T.A.Ş.	4.877	1.463
Aksigorta A.Ş.	554	237
Dia Sabancı Süpermarketleri Ticaret A.Ş.	123	525
Philip Morris Sabancı Pazarlama Satış A.Ş.	54	242
Other	720	363
	6.328	**2.830**

b) Rent expenses arising from lease agreements with related parties:	2012	2011
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	2.486	2.682
Other	42	38
	2.528	**2.720**

c) Service and product purchases from related parties:	2012	2011
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	5.423	4.320
Bimsa Uluslararası İş Bilgi ve Yönetim Sistemleri A.Ş.	3.118	2.333
Vista Turizm ve Seyahat A.Ş.	2.734	2.423
Aksigorta A.Ş.	2.419	1.518
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	1.375	300
Olmuksa International Paper Sabancı Ambalaj Sanayi ve Ticaret A.Ş.	133	275
AvivaSA Emeklilik ve Hayat A.Ş.	128	112
Other	218	35
	15.548	**11.316**

d) Interest income from related parties:	2012	2011
Akbank T.A.Ş.	7.498	5.222
	7.498	**5.222**

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

NOTE 23-TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

iii) Renumerations of key management personnel for the years ended 31 December 2012 and 2011:

	2012	2011
Key management personnel	4.537	4.322
	4.537	**4.322**

The remuneration of key management personnel for the years ended 31 December 2012 and 2011 comprise salaries, bonuses and other payments. All payments comprise short term benefits for the years ended 31 December 2012. TL871 of such payments comprise long-term benefits for the years ended 31 December 2011 . The payments contain post-employment benefits, other long term benefits and share-based payments for the years ended 31 December 2012 and 2011.

The general manager, assistant general managers and the directors are determined as the key management personnel.

NOTE 24-FINANCIAL RISK MANAGEMENT

24.1 Financial risk management

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 Group has is not exposed to credit risk concerning credit card receivables. The Group 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 Group 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 Group consider the past experience and collateral from dealers (Note 5).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 24-FINANCIAL RISK MANAGEMENT (Continued)

The table which reflects the Group's credit risk regarding the financial instruments as of 31 December 2012 is as follows:

	Trade Receivables		Other Receivables		
2012	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at banks**
The maximum credit risk exposure as of reporting date	**1.750**	**15.528**	**-**	**-**	**354.167**
- Collateralised part of maximum credit risk	***-***	***9.130***	***-***	***-***	***-***
A. Net carrying value of neither overdue nor impaired financial assets	1.750	14.371	-	-	354.167
B. Net carrying value of overdue but not impaired assets	-	1.157	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-
- Overdue (gross carrying value)	-	*924*	-	-	-
- Provision for impairment (-)	-	*(924)*	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

The table which reflects the Group's credit risk regarding the financial instruments as of 31 December 2011 is as follows:

	Trade Receivables		Other Receivables		
2011	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at banks**
The maximum credit risk exposwure as of reporting date	**446**	**16.669**	**-**	**547**	**185.267**
- Collateralised part of maximum credit risk	***-***	***4.643***	***-***	***-***	***-***
A. Net carrying value of neither overdue nor impaired financial assets	177	14.895	-	547	185.267
B. Net carrying value of overdue but not impaired assets	269	1.774	-	-	-
-Amount of risk covered by guarantees	-	*712*	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-
- Overdue (gross carrying value)	-	*572*	-	-	-
- Provision for impairment (-)	-	*(572)*	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

NOTE 24-FINANCIAL RISK MANAGEMENT (Continued)

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 Group aims at maintaining flexibility in funding by keeping committed credit lines available. The Group management monitors the Group's liquidity reserve movements according to their projected cash flows.

The Group 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 Group has credit commitment agreements (monetary and non-monetary) from banks amounting to TL854.185 that the Group can utilize whenever needed (2011: TL774.540).

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

2012

Contractual terms	Carrying value	Contractual cash flows (=I+II+III+IV)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Financial liabilities (non-derivative)						
Trade payables						
- Related parties	*2.547*	*2.547*	*2.547*	-	-	-
- Other	*760.158*	*762.827*	*762.827*	-	-	-
Other payables						
- Related parties	-	-	-	-	-	-
- Other	*8.646*	*8.646*	*8.646*	-	-	-

2011

Contractual terms	Carrying value	Contractual cash flows (=I+II+III+IV)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Financial liabilities (non-derivative)						
Trade payables						
- Related parties	*2.143*	*2.143*	*2.143*	-	-	-
- Other	*426.772*	*429.264*	*429.264*	-	-	-
Other payables						
- Related parties	-	-	-	-	-	-
- Other	*7.178*	*7.178*	*7.178*	-	-	-

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 24-FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Foreign currency risk

The Group is exposed to the foreign exchange risk through the conversion of the foreign exchange payables resulting from the purchases of consumer electronics made from the domestic vendors and the air-conditioners, cash registers and white goods purchases made from foreign suppliers to TL.

This risk is monitored in regular meetings held by the Board of Directors. The idle cash is evaluated in foreign exchange investments in order to minimize the foreign exchange risk resulted from balance sheet items. The Group also preserves itself from the foreign currency risk by the limited use of forwards, one of derivative instruments, if necessary.

Turkish Lira equivalents of assets and liabilities denominated in foreign currency held by the Group as of 31 December 2012 and 2011 are as follows:

	2012	**2011**
Assets	8.788	3.328
Liabilities	(12.547)	(3.163)
Net foreign currency position	**(3.759)**	**165**

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

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

NOTE 24-FINANCIAL RISK MANAGEMENT (Continued)

2012	**TL Equivalent**	**USD**	**Euro**	**Other**
1. Trade Receivables	1.940	1.816	122	2
2a. Monetary Financial Assets (Cash. Bank accounts)	6.555	6.508	40	7
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	56	55	1	-
4. Current Assets (1+2+3)	**8.551**	**8.379**	**163**	**9**
5. Trade receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	237	237	-	-
8. Non-current Assets (5+6+7)	**237**	**237**	**-**	**-**
9. Total Assets (4+8)	**8.788**	**8.616**	**163**	**9**
10. Trade Payables	12.547	10.668	1.879	-
11. Financial liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-monetary Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	**12.547**	**10.668**	**1.879**	**-**
14. Trade payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-monetary Liabilities	-	-	-	-
17. Non-current Liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**12.547**	**10.668**	**1.879**	**-**
19. Net asset/liability position of the off-balance sheet foreign exchange based derivatives (19a-19b)	**-**	**-**	**-**	**-**
19.a The amount of asset type off-balance sheet foreign exchange based derivatives	**-**	**-**	**-**	**-**
19b. The amount of liability type off-balance sheet foreign exchange based derivatives	**-**	**-**	**-**	**-**
20. Net foreign exchange asset/liability position (9-18+19)	**(3.759)**	**(2.052)**	**(1.716)**	**9**
21. Net foreign exchange asset/liability position of the monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	**(3.759)**	**(2.052)**	**(1.716)**	**9**
22. Fair value of financial instruments used to hedge foreign currency	**-**	**-**	**-**	**-**
23. Export	**-**	**-**	**-**	**-**
24. Import	**55.177**	**23.805**	**31.125**	**247**

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

NOTE 24-FINANCIAL RISK MANAGEMENT (Continued)

2011	**TL Equivalent**	**USD**	**Euro**	**Other**
1. Trade Receivables	1.938	1.507	431	-
2a. Monetary Financial Assets (Cash. Bank accounts)	894	842	46	6
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	245	111	134	-
4. Current Assets (1+2+3)	**3.077**	**2.460**	**611**	**6**
5. Trade Receivables				
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	251	251	-	-
8. Non-current Assets (5+6+7)	**251**	**251**	**-**	**-**
9. Total Assets (4+8)	**3.328**	**2.711**	**611**	**6**
10. Trade Payables	3.163	3.163	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-monetary Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	**3.163**	**3.163**	**-**	**-**
14. Trade payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-monetary Liabilities	-	-	-	-
17. Non-current Liabilities (14+15+16)				
18. Total Liabilities (13+17)	**3.163**	**3.163**	**-**	**-**
19. Net asset/liability position of the off-balance sheet foreign exchange based derivatives (19a-19b)	**-**	**-**	**-**	**-**
19.a The amount of asset type off-balance sheet foreign exchange based derivatives	**-**	**-**	**-**	**-**
19b. The amount of liability type off-balance sheet foreign exchange based derivatives	**-**	**-**	**-**	**-**
20. Net foreign exchange asset/liability position (9-18+19)	**165**	**(452)**	**611**	**6**
21. Net foreign exchange asset/liability position of the monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	**165**	**(452)**	**611**	**6**
22. Fair value of financial instruments used to hedge foreign currency	**-**	**-**	**-**	**-**
23. Export	**-**	**-**	**-**	**-**
24. Import	**57.161**	**39.676**	**17.023**	**462**

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

NOTE 24-FINANCIAL RISK MANAGEMENT (Continued)

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

	Profit/Loss	
2012	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in USD against TL		
1- USD net asset/(liability)	(205)	205
2- Hedged from the USD risk (-)	-	-
3- USD net effect- (1+2)	**(205)**	**205**
10% change in EUR against TL		
4- EUR net asset/(liability)	(172)	172
5- Hedged from the EUR risk (-)	-	-
6- EUR net effect- (4+5)	**(172)**	**172**
10% change in other foreign currency against TL		
7- Other foreign currency net asset/(liability)	1	(1)
8- Hedged from the other foreign currency risk (-)	-	-
9- Other foreign currency net effect-gain/(loss) (7+8)	1	(1)
Total (3 + 6 + 9)	**(376)**	**376**

	Profit/Loss	
2011	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in USD against TL		
1- USD net asset/(liability)	(45)	45
2- Hedged from USD risk (-)	-	-
3- USD net effect- (1+2)	**(45)**	**45**
10% change in EUR against TL		
4- EUR net asset/(liability)	61	(61)
5- Hedged from the EUR risk (-)	-	-
6- EUR net effect- (4+5)	**61**	**(61)**
10% change in other foreign currency against TL		
7- Other foreign currency net asset/(liability)	1	(1)
8- Hedged from the other foreign currency risk (-)	-	-
9- Other foreign currency net effect-gain/(loss) (7+8)	1	(1)
Total (3 + 6 + 9)	**17**	**(17)**

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

NOTE 24-FINANCIAL RISK MANAGEMENT (Continued)

24.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group 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. The gearing ratios at 31 December 2012 and 2011 are as follows:

	2012	**2011**
Total payables	762.705	428.915
Less: cash and cash equivalents (Note 4)	(355.210)	(186.596)
Net debt	407.495	242.319
Total equity	196.237	145.794
Total capital	603.732	388.113
Gearing ratio	**0,67**	**0,62**

NOTE 25-FINANCIAL INSTRUMENTS

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

NOTE 25-FINANCIAL INSTRUMENTS (Continued)

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks are considered to approximate their respective carrying values due to their short-term nature.

The carrying value of trade receivables along with the related allowances for uncollectibility is estimated to be their fair values.

Monetary liabilities

The fair values of short-term monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at variable rates and denominated in foreign currencies, are translated at period-end exchange rates and accordingly their carrying amounts approximate their fair values.

Fair value estimation

The classification of the Group's financial assets and liabilities at fair value is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

As of 31 December 2012, The Group has private sector bonds which are quoted in "interbank bond market" amounting to TL3.009. Such financial assets which are carried at their fair value are deemed as Level 1 financial instruments as result of the quotation to "interbank bond market".

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

NOTE 26-BUSINESS COMBINATIONS

On 11 July 2011, the Company purchased 100% shares of the İstanbul Mağazacılık Ltd. Şti. (formerly known as Best Buy İstanbul Mağazacılık Ltd. Şti. before the acquisition) in exchange of TL27.148. As a result of this transaction Best Buy Co. Inc. ceased its operations in Turkey. İstanbul Mağazacılık Ltd. Şti. changed its corporate type from limited company to corporation on 8 August 2011 and has been merged under Teknosa on 28 September 2011.

The income statement of İstanbul Mağazacılık Ltd. Şti. is being consolidated beginning from 11 July 2011.

The fair values of the acquired identifiable assets acquired, liabilities and contingent liabilities taken over and the cost of acquisition accounted for finally on 30 September 2011 are as follows:

Purchase consideration	**27.148**
Fair values of acquired identifiable assets, liabilities and contingent liabilities:	
Cash and cash equivalents	25.044
Inventories	3.700
Other current assets	6.740
Tangible and intangible assets	5.138
Deferred income tax assets	9.521
Other non-current assets	76
Other current liabilities	(2.446)
Fair value of net assets	**47.773**
Gain from bargain purchase (Note 18)	**20.625**

The consultancy expenses amounting to TL2.916 incurred in the business combination were included in general and administrative expenses under the consolidated statement of comprehensive income for the year ended 31 December 2011.

NOTE 27-SUBSEQUENT EVENTS

1. Until the date of these consolidated financial statements from 31 December 2012, the Company opened a store in İstanbul. This store increased the retail sales area by 217 square meters.

2. Until the date of these consolidated financial statements from 31 December 2012, the Company has closed three stores and opened three new stores in Ordu, Kırklareli and Elazığ due to location change. These stores increased the retail sales are of the Company by 350 square meters.

PRODUCED BY FINAR KURUMSAL © 2013
WWW.FINARKURUMSAL.COM • TEL +90 212 269 37 20

Teknosa İç ve Dış Tic. A.Ş.
Teknosa Plaza, Batman Sokak No: 18
Sahrayıcedit 34734 ISTANBUL/TURKEY
Phone: (+90 216) 468 36 36
E-mail: yatirimciiliskileri@teknosa.com