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TEKNOSA LEADS THE INDUSTRY WITH ITS BOLD AND **INNOVATIVE** INITIATIVES, WHICH THE COMPANY HAS BEEN STEADFASTLY UNDERTAKING SINCE ITS ESTABLISHMENT.

HAVING TRANSFORMED ITSELF FROM A TRADITIONAL RETAILER THAT MERELY OFFERS PRODUCTS INTO A “**SERVICE PROVIDER**” THROUGH PIONEERING ACHIEVEMENTS IN THE INDUSTRY, **TEKNOSA** REINFORCES ITS APPROACH OF BEING THE **SOLE ADDRESS FOR TECHNOLOGY** BY PROVIDING PRODUCTS, SERVICES AND SOLUTIONS ALL TOGETHER.

MOST REASONABLE PRICES, BEST SERVICE QUALITY

TL 3.1 Billion

TeknoSA posted a turnover of TL 3.1 billion in 2016.

TeknoSA is an electronics retailer aiming to offer its customers technology products for the “most reasonable prices” and with the “best service quality” possible.

Since its establishment, TeknoSA remains the leading technology retail company in Turkey with its large-scale presence, quality of service and innovative breakthroughs.

Publicly traded and listed on Borsa İstanbul A.Ş. since 2012, TeknoSA provides fast, reliable, seamless and high-quality services to its customers with its 210 stores in 70 cities across Turkey, its online shopping platform teknosa.com and its after-sales support team.

33% Market Share

TeknoSA holds 33% market share in the technology superstores (TSS) channel and 7% share in the overall market.

MOST WIDESPREAD TECHNOLOGY RETAIL CHAIN IN TURKEY



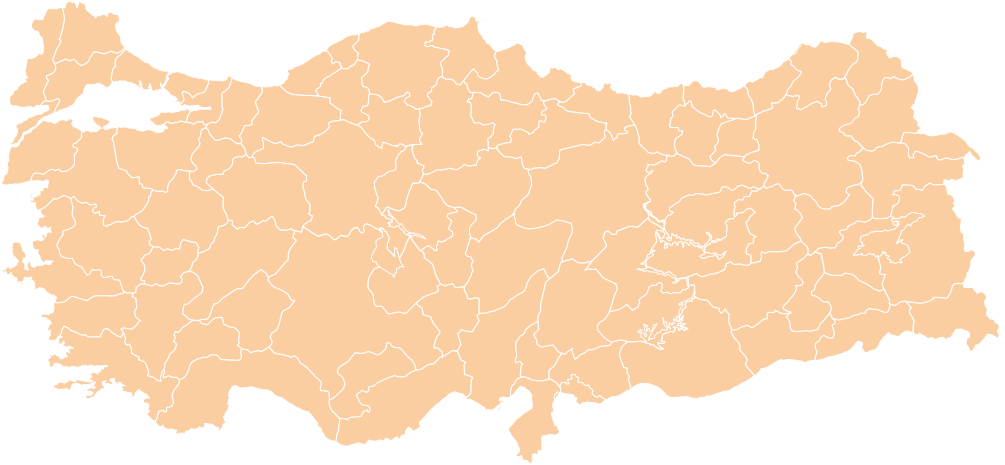
123 THOUSAND M²
OF RETAIL SPACE



210
STORES



70
CITIES



STRONG CASH POSITION

*TL 156 million net
cash position, as of
December 31, 2016*

2,688 EMPLOYEES

*2,688 highly qualified
employees trained at
the TeknoSA Academy*

COMPETITIVE SERVICES

*TeknoSA Mobile
(Rebranded as
Teknosacell)
TeknoFinans
Dr. Teknolog
Disney Collection
Connected Store*

TURKEY'S LEADING ELECTRONICS RETAILER

Established in 2000 under Hacı Ömer Sabancı Holding A.Ş., TeknoSA İç ve Dış Ticaret A.Ş. aims to offer technology products to its customers at the most reasonable prices and with best service quality.

Embracing the philosophy “Technology for Everyone”, TeknoSA continues to take bold steps to advance in its sector via utilizing the strength of its widespread penetration, superior service quality, reliability and product diversity, as well as its dynamic, innovative and entrepreneurial company structure. The Company, as the pioneering retail organization, has adopted as its principle the shaping of the future hand in hand with its employees, stakeholders and customers, pursuing policies of quality and adding value.

The operations of TeknoSA are categorized under two groups: Retail / e-commerce, and its dealer network. Our stores and online channels provide the retailing of consumer electronics, imaging, information technology, telecom products and household appliances. TeknoSA is Turkey's first and the most widespread technology retail chain.

Launched with five stores in 2000, TeknoSA currently continues its operations with 210 stores in 70 cities of Turkey, its online and mobile channel and its 2,688 employees.

The dealer network operations, is comprised of İklimSA, which operates in the acclimatization industry under TeknoSA A.Ş. umbrella.

To further reinforce its market position as the sole address for technology, and as a service provider rather than merely a product supplier, TeknoSA has undertaken many distinctive projects involving new products and services, fresh business models, and diverse collaborations.

In an unprecedented initiative, TeknoSA began providing mobile communication services in 2015, and since June 2016, the Company has been offering those customers who transfer their phone numbers to Teknosacell, 24-month installment plans for mobile devices. In January 2017, TeknoSA Mobile was rebranded as Teknosacell.



In 2016, TeknoSA undertook many distinctive projects that involved new business models and various collaborations.

TECHNOLOGY FOR EVERYONE

In 2015, TeknoSA also launched its own-brand, “Preo” smartphones and smart watches, achieving yet another first for technology retailing. The Company continued to expand its Preo range with new products in 2016.

Supporting its customers before, during and after sales, TeknoSA continues to offer the most comprehensive service packages through the Dr. Teknolog platform to extend the lifetime of technology products so that they can be used to their fullest extent.

Within the “Connected Store” project, a one-of-a-kind initiative in the industry, TeknoSA connected its stores, tens of thousands of products and its entire sales team through tablets. Store employees can now easily access all product information and inventory data, and also process payments via special applications, thereby offering customers a much better shopping experience.

TeknoSA aims to become a technology, entertainment and experience center that brings happiness to the entire family. To this end, the Company signed a shop-in-shop agreement with The Walt Disney Company, the world’s most valuable entertainment brand, to sell Disney Collection products at selected TeknoSA stores. With this collaboration, the Company achieved a first in the world of technology retailing. Family members of all ages can now find a wide

range of technology and entertainment products that meet their needs or desires at TeknoSA stores.

TeknoSA continued to grow in same stores (like-for-like) in 2016, reaching TL 3.1 billion revenues, despite facing several macroeconomic challenges resulting in low levels of consumer confidence and the negative impact of depreciating TL on demand and cost sides. In the field of e-commerce, revenues made from teknosa.com increased by about 4% in 2016 year-over-year.

DEVELOPMENTS IN 2016 AND GOALS FOR 2017

Taking into consideration the effects of recent economic and regulatory developments on the industry and the competitive pressure on profits, TeknoSA initiated a “profitability” oriented restructuring process in 2016. Accordingly, the Company devised a new business plan with the goal of increasing its EBITDA margin and achieving positive net profits by focusing on business lines and areas that drive sustainable profitability, across the organization and in terms of the Company’s ways of doing business.

At the beginning of 2016, TeknoSA projected a 10% increase in like-for-like store sales, but ultimately achieved a 13% increase. On the other hand, online sales through teknosa.com, which were projected to grow



As the first brand that comes to mind in electronics shopping, TeknoSA has the flexibility to customize its stores to different regions and demands through multiple store formats.

by 45%, increased by about 4%, mainly due to discount and clearance sales. The consolidated revenue target for 2016 was TL 3.3 billion, however, the Company posted a turnover of TL 3.1 billion (2015: TL 3.2 billion). In terms of profitability, the EBITDA margin, which was projected to reach 3.5%, stood at 1.2%, due to store closing sales, as well as the increased share of the telecom segment, which has a lower level of profitability, in the product mix.

In parallel with the global conjuncture and country dynamics, TeknoSA has made flexible plans and set a broader range of targets for 2017. Accordingly, the Company

expects like-for-like store sales to grow at either a high-single-digit, or low-double-digit rate. Total net sales area shrank after the Company assessed and optimized its store network in the third quarter of 2016. In 2017, the Company expects to retain 116 thousand square meters of retail space, thus about the same level as at year-end 2016. Therefore, TeknoSA expects its 2017 turnover to be at around the same level as in 2016. Additionally, the Company projects EBITDA margin improvement resulting from measures taken in the second half of 2016. TeknoSA plans to announce its 2017 targets on KAP (Public Disclosure Platform) at the end of the first quarter of 2017.

VISION, MISSION AND VALUES

1

VISION

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

2

MISSION

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

3

VALUES

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

4

QUALITY POLICY

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

5

COMPLAINT MANAGEMENT POLICY

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



The
www.teknosa.com
website launched.

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 program has been started.



"Extra" stores were opened.



TeknoSA began operations with five retail stores.

TeknoSA Academy
was established.

The Gebze Logistics Center commenced operations.

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

Two music stores of Uzelli in Turkey were acquired.

Under the TeknoAsist program, after sales and product exchange/return services were made available to customers for the first time in Turkey.

The organization was restructured.

“Rapid growth” strategy
was replaced by
“sustainable and profitable
growth”.





With TeknoSA Mobil, TeknoSA became the first and only technology retail company in Turkey to provide mobile communication services.

TeknoSA Preo branded special products were introduced to the market.

Under the "Connected Store" project, all stores, sales teams and thousands of products were connected through a "single" platform.



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

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

2011

2012

2013

2014

2015

2016

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

Click & Collect was initiated.

Alternative financing options were offered to customers with TeknoFinans.

The Disney Collection was integrated into a technology chain, marking a significant "first" in the world of technology retailing.

TeknoSA Mobile (rebranded as Teknosacell) began assigned sales.

TeknoSA's Preo-branded product range was expanded. New accessories, virtual reality glasses and gaming products were launched.



CUSTOMER CENTRIC SCIENTIFIC RETAILING

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 important infrastructural investments and thus set an unrivalled example for newcomers to this developing sector. TeknoSA leads the industry by developing unique business models and special services in line with the transformation of the industry.

PIONEER OF THE MARKET

TeknoSA differentiates itself with its large-scale presence, its understanding of seamless service across all channels, its innovative services in technology retailing, and its major operating field, thereby continuing its pioneering position in the industry since its establishment.

UNLIMITED CUSTOMER SATISFACTION

As the first brand that comes to mind in electronics shopping, TeknoSA has the flexibility to customize its stores in different regions and meet specific demands with various store formats. Additionally, with the Company's product and service diversity, TeknoSA adopts a customer oriented management style and considers customers its most valuable asset. To that end, the

Company ensures customer satisfaction via several initiatives such as, seamless, fast and qualified service across all channels customer expectations management program and service-oriented training programs for employees.

CUSTOMER CENTRIC SCIENTIFIC RETAILING

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.

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

VALUE-ADDED SERVICES

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



TeknoSA distinguishes itself from other companies with its sales and after-sales service quality.

As part of Dr. Teknolog, services are provided in different categories such as Additional Warranty, Safety, In-Store Services. While customers can enjoy longer term and hassle-free product use with Additional Warranty, the Technology Support Package enables them to remotely access Dr. Teknolog through the Call Center and obtain answers to all their technology-related questions. Meanwhile, instant in-store support services

such as guidance for usage and installation are available for those customers who are new to the latest technology.

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

UNLIMITED CUSTOMER SATISFACTION

TEKNOSA ACADEMY

TeknoSA places great importance on training its employees to make them highly qualified experts in order to maximize customer and employee satisfaction. Founded in 2005, TeknoSA Academy was the first academy in technology retailing to be certified by the Turkish Ministry of Education. Providing employees training and development opportunities through various programs, TeknoSA Academy guides them on their career paths. TeknoSA carries out the following programs to provide all employees with equal training opportunities at the Academy, and to ensure continuous education in line with the rapid advances in technology:

Candidate Training Program: The Candidate Training Program is a mixed training program provided to new store employees and supported by e-learning courses, videos, reading materials, which are accessible on TeknoSA Academy platforms, as well as on-the-job training, which is delivered by store managers.

Mentor-Mentee Program: The purpose of this program is to support employee development by enabling them to benefit from the knowledge and experience of managers; to improve their leadership skills; to facilitate the implementation of the corporate strategy, to instill positive

corporate values, to support existing and/or new practices across the organization; and to strengthen interdepartmental communication.

Store Manager Development Program:

Store manager candidates, who succeed at the assessment center at TeknoSA stores, are accepted into the Store Manager Development Program.

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. As of 2016, the Company has a sales area of over 123 thousand m² and consisting of 30 thousand m² of closed space. TeknoSA has the largest logistics center in its sector, located in Gebze/Istanbul, 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, retail operations are supported by technology while all processes including stock level controlling, product placement and label changing are carried out via state of the art retailing tools.



TeknoSA places great importance on training its employees to make them highly qualified experts in order to maximize customer and employee satisfaction.

BRANDED SERVICES THAT MAKE A DIFFERENCE

TeknoSA focused its efforts on becoming a more agile, organizationally fit company, in line with consumer trends and digitalization efforts. Accordingly, the Company effectively restructured its store network; analyzed end-to-end business processes and undertook efficiency improvements. The Company also further diversified its services and improved its product mix in line with customer expectations. TeknoSA created a strong product mix consisting of small domestic appliances, grooming products and accessories, which have high demand and value, while introducing the shop-in-shop system for white goods, a first for the industry, to deliver a richer customer experience and increase profits.

Pioneering the transformation of the industry, TeknoSA introduced several innovative initiatives to offer a pleasant technology and entertainment experience that brings happiness to all members of the family.

TEKNOSA MOBILE (REBRANDED AS TEKNOSACELL)

TeknoSA continues to develop its mobile communication services, which the Company launched in 2015 under the “All Inclusive Technology” motto, to achieve yet another first for the industry. In January 2017, the Company rebranded TeknoSA Mobile as Teknosacell and began offering customers 24 monthly installment payments for mobile phones of their choice. Monthly payments are included in Teknosacell invoices. Hence, the Company offers its customers

technology products and mobile lines from a single point, on a single invoice.

TEKNOFINANS


TeknoSA brought all consumer finance plans under the umbrella of “TeknoFinans” in 2015. Since ING Teknokredi and Akbank AKON began offering financing options for technology purchases, a total of 287 thousand customers had benefitted from this advantage by the end of 2016. Customers can easily and securely apply for and receive a loan with a payback period of up to 36 months in just four minutes.

TEKNOSA PREO

In 2015, TeknoSA launched its own-brand, “Preo” smartphones and smart watches, achieving yet another first in technology retailing. The Company initially introduced the Preo P1 model smartphone and Pwatch smart watch at reasonable prices. Preo P2 and Pwatch2 models joined the Preo family in late 2015. In 2016, TeknoSA continued to expand the Preo range with various accessories including earphones, mouse, portable speakers, keyboards, external battery packs, selfie sticks and virtual reality glasses. TeknoSA plans to further diversify the Preo branded product range in line with customer needs.

“CONNECTED STORE”: A PERSONALIZED STORE EXPERIENCE

TeknoSA ushered in a new era for the retailing industry with its “Connected Store” project, which aims to provide customers with seamless access to technology products

A man in an orange polo shirt is shown in profile, smiling and looking at a tablet computer. He is standing in a retail store, with shelves of products visible in the background. A blue banner with white text is partially visible behind him. The text on the banner includes "Erkek B", "Phi", "Erkek Bak", and "arak en t".

TeknoSA ushered in a new era for the retailing industry with its Connected Store project, which aims to enrich customers' shopping experience.

at reasonable prices, wherever and whenever they want, and thereby to enrich their shopping experience.

With this project, TeknoSA connected its stores, thousands of products and the entire sales team through tablets provided to employees. Store employees can now easily access all product information and inventory

data and also process payments via special applications, thereby offering customers a much better shopping experience. Customers are now able to obtain more detailed information on products and complete their purchases without having to visit the cashier's desk.

A TECHNOLOGY, ENTERTAINMENT AND EXPERIENCE CENTER THAT MAKES ALL FAMILY MEMBERS HAPPY

DISNEY COLLECTION

TeknoSA signed an agreement with The Walt Disney Company, the world's most valuable entertainment brand, to sell Disney Collection products at selected TeknoSA stores through shop in shop format. With this collaboration, TeknoSA achieved a significant "first" in the world of technology retailing by integrating the Disney Collection into a technology retail chain for the first time. Designed by Disney teams in California, the Disney Collection products are now being sold exclusively in Turkey across the entire EMEA region and only at TeknoSA stores. The Disney Collection, which consists of more than 400 different products in six main categories such as toys, apparel, plush stationery, costumes and shoes, is offered to customers at 70 TeknoSA stores in 31 cities.

TeknoSA aims to make its stores a favorite gathering spot for all family members. In this regard, collaboration with The Walt Disney Company has added significant value to TeknoSA.

AWARDS AND ACHIEVEMENTS IN 2016

Human Resources:

- TeknoSA Academy received the "Excellence in Practice Award", granted by the Association for Talent Development (ATD), in the "Coaching and Mentoring" category; and the "Special Jury" award in the category of "Corporate Learning and Development".

Website:

- At the 14th Golden Spider Awards, the Company's online store "teknosa.com" was selected as the people's choice in the "Retail Store" category.
- Teknosacell won first prize in the "Telecommunications" category at the 14th Golden Spider Awards.

IT:

- TeknoSA won first prize in the categories of "Retail Chain" and "Video and Audio Systems", and second prize in the "Information Technology" category at the "IT Top 500 Awards".
- TeknoSA "Connected Store" project was named the "IT Management Project of the Year" at the IDC Turkey CIO Awards.

Brand:

- According to the results of the "Turkey's Lovemarks" survey conducted by MediaCat magazine, TeknoSA was selected as Turkey's Most Popular Brand in the technology stores category.
- According to the results of the "Most Social Brands" survey conducted jointly by Roamler Turkey and Marketing Türkiye magazine, TeknoSA was selected as the "Most Social Brand" in the technology stores category.



More than 400 different products in six main categories are offered to customers at 70 TeknoSA stores in 31 cities through a shop-in-shop format.

VALUE-ADDED SERVICES

Financial Indicators (TL million)	2014	2015	2016
Net Sales	3,018	3,205	3,074
Total Assets	949	1,031	768
Total Shareholders' Equity	188	77	-62
EBITDA	82	78	38
Comparable EBITDA	82	106**	78****
Net Profit/(Losses)	-20	-95	-161
Comparable Net Profit/(Losses)	-10*	-27***	-55*****

Operational Indicators	2014	2015	2016
Retail Space (thousand m ²)	171	172	123
Number of Stores	291	278	210
Number of Visitors (million)	101	89	69
Number of Customers (million)	7,5	6,9	6,3
Average Basket Size (TL)	349	375	428
teknoSA.com Sales (TL Million)	94	142	148

Financial Ratios (%)	2015	2016
Current Ratio (Liquid Assets/Short Term Liabilities)	0.90	0.70
Liquidity Ratio (Liquid Assets-Stocks/Short Term Liabilities)	0.39	0.27
Total Liabilities/Shareholders' Equity	12.48	-13.41
Total Liabilities/Total Assets	0.93	1.08

* Amendment / Provision of TL 10.1 million for reorganization expenses reserved for stores that closed down and for those closing in 2015.

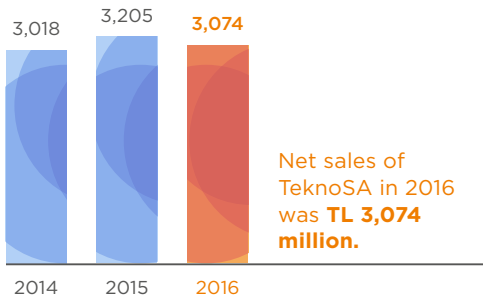
** One time only amendment / provision of TL 27.3 million for TeknoSA stock provisions and changes with regard to TeknoSA Mobil.

*** One time only amendment / provision of TL 67.2 million for the effects of the TeknoSA and KlikSA reorganization and stock provision.

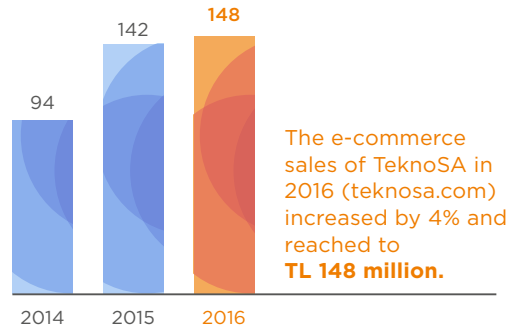
**** Revised to include the one-time expense of TL 40 million associated with the clearing of old inventory.

***** Revised to include the one-time expenses totaling TL 105.8 million associated with restructuring, including store closings and workforce reduction, and other one-time expenses.

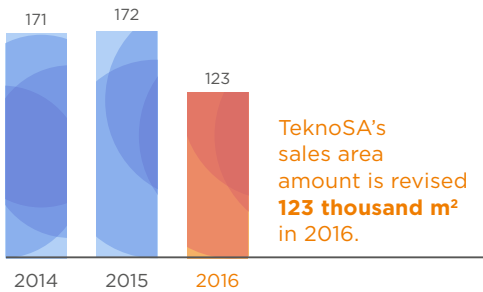
NET SALES (TL MILLION)



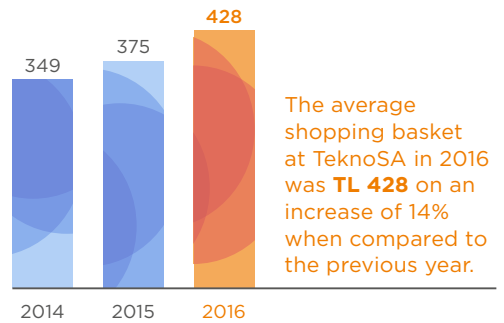
E-COMMERCE SALES (TL MILLION)



SALES SAPACE (THOUSAND M²)



AVERAGE SHOPPING BASKET (TL)



WE CONTINUED TO CREATE VALUE

Esteemed Shareholders,

Marked by Brexit, the U.S. presidential election, and geopolitical issues in Syria and Iraq, 2016 was a difficult year.

The coup attempt on July 15 brought Turkey to the verge of disaster. Fortunately, our nation managed to overcome this difficult period in a self-sacrificing spirit. Furthermore, oil production cuts, uncertainty and market fluctuations caused by the U.S. presidential election, and the Fed's interest rate hike have all together had a negative impact on the Turkish economy, as with many other economies across the world. As a result, private sector investments declined, the global economy faltered, world trade weakened, and inflation rates remained below targets in 2016.

At Sabancı Holding, we continued our investments, while effectively managing our foreign exchange position through currency hedging. In spite of global economic challenges, our Holding companies performed well in 2016.

We believe that not only uncertainty and risks, but also opportunities lie ahead in 2017. We will observe how the U.S. economic policy under the new administration will affect other countries. Expansionary monetary policies, tighter fiscal policies, and the rising US Dollar will most likely be among

the biggest risks our country will face in the coming year. On the other hand, we believe that moderate economic growth in Europe will have a positive effect on our economy.

We have high hopes for our country in 2017. Turkey has great potential and we believe that we can turn this opportunity into value through technological innovation.

TeknoSA, the young face of our Group, is an innovation pioneer in the retailing industry. The consumer electronics market grew at a double-digit rate with total turnover amounting to TL 46 billion in 2016.

On the other hand, the share of technology retailing in the total market began to fall due to recent economic and regulatory developments and also the structure of the market.

This is further due to the fact that the global retail industry is undergoing a major transformation. Therefore, shaping our business strategy in line with digitalization and changing consumer expectations and shopping behavior have become crucial. To this end, TeknoSA made significant progress towards transformation in the second half of 2016 by increasing the efficiency and effectiveness of its business processes, store locations and product portfolio; further expanding its multi-channel operations, and offering innovative services.

A middle-aged man with dark hair, smiling, wearing a black suit, white shirt, and a blue patterned tie. He is standing in front of a trade show booth with various displays and banners in the background. The image is framed by a large, semi-transparent orange circle.

*We introduced many
unique and innovative
services and practices in
order to further reinforce
TeknoSA's market position
as the sole address for
technology and a service
provider beyond merely a
product supplier.*

Zafer KURTUL
Chairman of the
Board of Directors

SOLE ADDRESS FOR TECHNOLOGY

At TeknoSA, we aim to offer our customers greater value in the coming period through a more effective and efficient structure. Accordingly, we are planning to invest in our stores and digital platforms in line with our principle of delivering a seamless customer experience. We also continue to train our store employees to reinforce our position as technology experts, advising customers in stores, as well as online and through social media. We embrace the idea of becoming the sole address for technology products and a service provider, rather than merely a product supplier.

Considering a number of factors such as Turkey's economic prospective growth of close to 3% and inflation of around 8% in 2017, as well as a highly volatile US dollar exchange rate and the risks to inflation and growth, we may rightly anticipate that 2017 will not be an easy year. However, if economic risk is managed effectively, our country has the potential to generate positive value.

Given the fact that technology products have become an essential need in our lives and that new technologies draw considerable interest, especially among our largely young population, we have high expectations for TeknoSA and the market.

In 2017, we will position TeknoSA as a company that is closer to its customers and offers more services. Additionally, we will continue to invest and create value because we trust in our country's power and potential. We will proceed in line with our objectives by our innovative culture, our understanding of operational excellence, and our "pioneering" and "exemplary" stance in all work we undertake.

We have developed productivity and profitability oriented plans for the coming period to provide more value to consumers, the industry and our country. Our omni-channel strategy, digitalization and mobile retail will be one of the key elements of our growth. With its agile structure and innovative services, TeknoSA will remain the primary address for technology retailing in Turkey, while growing the industry and contribute to the economy.

I wish a prosperous year for our country and for our company in 2017 and extend my gratitude to all our stakeholders who have contributed to the past in line with the goals of TeknoSA.

Respectfully yours,

Zafer KURTUL

Board Member and CEO of Sabancı Holding
Chairman of Board of Directors of TeknoSA

**TURUNCU
İNDİRİM**

BUGÜNE ÖZEL

**%50'YE
VARAN İNDİRİM!**

TEKNOSA

*We continue to invest
and create value towards
achieving our goals because
we trust in our country's
power and potential.*

BOARD OF DIRECTORS*



Zafer Kurtul
Chairman of the Board of Directors

Zafer Kurtul graduated from Istanbul University, Department of Business Administration. He then earned his MBA from the University of Wisconsin-Madison.

Mr. Kurtul joined Akbank as Deputy General Manager in 1998. Between November 2000 and June 2009, he served as General Manager of Akbank, and in June 2009 he was appointed Vice Chairman of the Board of Directors. Previously, Mr. Kurtul has assumed various management positions at Citibank, BNP-Ak-Dresdner Bank and Societe Generale. He also holds the Chartered Financial Analyst (CFA) designation.

Mr. Kurtul has been serving as CEO and Board Member of Sabancı Holding since July 19, 2010.

He was appointed Chairman of the Board of Directors of TeknoSA on June 1, 2016.



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.

As of April 2012, he was appointed as Vice Chairman of TeknoSA.



Barış Oran
Board Member

Barış Oran graduated from Boğaziçi University, 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 PriceWaterhouseCoopers 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.

Oran was promoted to Finance Director of Sabancı Holding in 2011 and to Director of Planning, Reporting and Financing of Sabancı Holding in 2012. He has been working as Chief Financial Officer at Sabancı Holding since 2016.

He has been serving as Member of the Board of Directors at TeknoSA since April 2012.

* TeknoSA Board Members are elected to serve a three-year term. The current Board of Directors began its term in March 2015. Mr. Haluk Dinçer resigned from his position as Chairman of the Board of Directors on June 1, 2016. Subsequently, it was decided to appoint Mr. Zafer Kurtul for the unexpired term of his predecessor, to submit the decision to the General Assembly for approval at its first meeting, and to elect Mr. Zafer Kurtul Chairman of the Board of Directors. Ms. Neriman Ülsever resigned from her position as Board Member on January 2, 2017, and Mr. Kâmil Ömer Bozer was appointed to serve the unexpired term of his predecessor, starting on January 5, 2017.



Kâmil Ömer Bozer
Board Member

Kamil Ömer Bozer graduated from TED Ankara College in 1975 and then the Middle East Technical University, Department of Business Administration in 1979. He earned his Master's degree from Georgia State University in 1982.

Mr. Bozer began his professional career at Koç Holding, where he worked within the project team from 1985 to 1987. Later, he joined Maret A.Ş. where he served as Budget and Planning Manager (1987-1990), and subsequently as Executive Vice President of Marketing and Trade (1990-1994). In 1994, he began working as Executive Vice President of Marketing at Düzey A.Ş., where he later served as General Manager between 1995 and 2001. Mr. Bozer was the General Manager of Migros Türk T.A.Ş. from 2002 to 2005, and President of Retail and Tourism Group at Koç Holding between 2005 and April 2011.

Mr. Bozer was appointed Board Member of TeknoSA in January 2017.



Oğuz Nuri Babüroğlu
Independent Member of the
Board of Directors

Oğuz Nuri Babüroğlu graduated from the University of Sussex in 1977. He completed his Master's degree at the University of Lancaster and received his PhD in Social Systems Science at the Wharton School at the University of Pennsylvania.

Babüroğlu continued his professional career as a lecturer at West Chester University of Pennsylvania, Clarkson University, INSEAD Business School, Work Research Institute, Bilkent University and as part of the Enterprise Development and Work Life Research Program (EDWOR) at the Norwegian University of Science and Technology. He has been teaching at Sabancı University since 1998. In 1995, he founded Arama Participatory Management Consultancy and is also the Founding Director of Akil Limanı Mindport Education Services. Mr. Babüroğlu has been a Board Member at ETİ Gıda Sanayi ve Ticaret A.Ş. since 2006.

Mr. Babüroğlu has been an Independent Board Member at TeknoSA since April 2012.



Atıl Saryal
Independent Member of the
Board of Directors

Saryal was born in 1938 in Ankara. Following his primary and secondary education in Ankara, he studied engineering at the University of Texas.

Upon his return to Turkey, he worked in the banking sector and then transferred to Sabancı Group. He was General Manager at Adana SaSA and MarSA. He was the President of the Adana Chamber of Industry for eight years. He served as a Member of the Board at PhilSA, ExSA and PlasSA. He was later promoted as President of Food and Retail and served as Chairman of the Board at KraftSA, DanoneSA, DiaSA, CarrefourSA, MarSA and SapekSA. In 2002, he retired from Group President position and in 2004, from his membership and chairmanship of the boards as well as his membership at TUSİAD.

In addition to his position as Independent Member of the Board of Directors at TeknoSA, he is currently Member of the Board and Consultant at KordSA Global, AkçanSA and OlmukSA.

Mr. Saryal has been serving as Independent Board Member at TeknoSA since April 2015.

WE ACHIEVED ORGANIZATIONAL AGILITY AND FITNESS

Esteemed Shareholders,

Political and economic uncertainty around the globe, tensions in our region and the incidents that took place in Turkey all had an impact on economic indicators in 2016. What's more, fluctuations and the rise in exchange rates negatively affected consumer demand, as well as costs and expenses.

However, despite challenging dynamics, the consumer electronics market continued to create value and maintained double-digit growth. The total market expanded from TL 40.4 billion in 2015 to TL 46 billion in 2016.

Meanwhile, TeknoSA continues to lead the industry with its innovative initiatives, regardless of the prevailing conditions. In 2016, we took important steps towards achieving a more agile and fit structure. In line with changing consumer trends and evolving urban spaces, we effectively restructured our store network, analyzed end-to-end business processes and undertook efficiency improvements. Additionally, we further diversified our product mix in line with customer expectations and expanded our portfolio of small domestic appliances and grooming products. We also introduced a unique business model for white goods, a first for the industry, and began offering our customers and suppliers a richer experience.


In 2016, we offered our customers not only the newest products, but also a diversity of services.

In 2016, we also took Teknosa Mobile, the mobile communications service that we launched in 2015, to a whole new level. First, we rebranded Teknosa Mobile as Teknosacell in January 2017 and then began offering those customers who transfer their phone numbers to Teknosacell 24-month installment plans for the mobile devices of their choice. Hence, our customers can now purchase their mobile devices and mobile lines at a single point, on a single invoice.

We place great importance on supporting our customers before, during and also after sales. Therefore, TeknoSA offers its customers the most comprehensive service packages through the Dr. Teknolog platform to extend the lifetime of technology products, whereby they can be used to their fullest extent.

In 2015, TeknoSA launched its own-brand "Preo" smartphones and smart watches, achieving yet another first for technology retailing. In the first quarter of 2016, we expanded the Preo range with various accessories including earphones, mouse, portable speakers, keyboards, external battery packs and selfie sticks. In the second half of the year, we launched our virtual reality glasses, gaming products, and our new smart watch "Pwatch 3".

Our first priority is to enrich customers' shopping experience at TeknoSA. To this end, we launched the "Connected Store" project, in another first for the retail industry, in late 2015, and further improved it in 2016. Under this project, we connected all of our

A man in a dark suit, white shirt, and dark tie is smiling and standing in a trade show booth. The background is filled with various displays, including shelves with products and large circular signs. A large red circle is overlaid on the lower left side of the image, containing white text.

*Since its inception,
TeknoSA has implemented
the most effective channel
strategies in line with customer
needs and tendencies and
has always been a pioneer in
technology retailing with its
innovative services.*

Bülent Gürcan
General Manager

FOCUSED ON **SEAMLESS SERVICE** ACROSS ALL CHANNELS

stores, tens of thousands of products and our entire sales team through tablets, which we provided to store employees. Our store staff can now easily access all product information and inventory data and also process payments via special applications. As a result, we now offer our customers a seamless shopping experience.

In 2016, TeknoSA initiated a unique collaboration with The Walt Disney Company, the world's most valuable entertainment brand. Accordingly, the Disney Collection products, which are designed by The Walt Disney Company in the U.S.A. and manufactured overseas, are now being sold exclusively at TeknoSA stores in Turkey, after the United States and Mexico. The Disney Collection, which consists of more than 400 different products, including toys, apparel, costumes and stationery, has been offered to customers at 70 TeknoSA stores, as well as on teknosa.com since December 2016.

Family members of all ages, from two-year-olds upwards, can now find a wide range of technology and entertainment products to meet their needs or desires at TeknoSA stores. We will further improve our performance through innovative initiatives in the coming period. Family-wide experience will remain a priority among our plans for next year.

Since its inception, TeknoSA has implemented the most effective channel strategies in line with customer needs and tendencies and has always been a pioneer in technology retailing

with its innovative services. Our multi-channel strategy, which we have focused and pioneered in recent years, is a strong indicator of this implementation.

In 2016, we continued to expand our e-commerce business. Last year, the share of Click & Collect sales in total e-commerce revenue reached 25%. The Click & Collect program, which we launched as part of our omni-channel strategy, enables customers to conveniently order online and collect from a store.

Furthermore, the share of traffic coming through mobile platforms in total e-commerce traffic exceeded 50%. Additionally, the number of people to have downloaded our IOS and Android applications rised to 1.7 million. While we continue to reorganize our stores in line with the transformation of the industry and shopping trends, we also improve our online and mobile capabilities.

Meanwhile, iklimSA, our dealership channel, which operates under the roof of TeknoSA with Sabancı Holding's 30 years of expertise in the air-conditioning industry, achieved strong seasonal performance, increasing its revenues by nearly 40% by offering corporate solutions in 2016.

Since its foundation, TeknoSA has always placed great importance on social responsibility projects that contribute to cultural and social life and that also raise awareness and increase knowledge of technology among the younger generation.

The Disney Collection products, which are designed by The Walt Disney Company in the U.S.A. and manufactured overseas, are now being sold exclusively at TeknoSA stores in Turkey, after the United States and Mexico.



Within the scope of the “Technology for Women” project, we have provided free computer courses to more than 15 thousand women in 61 cities since 2007, making them closer to technology.

In 2017, TeknoSA will continue to create value with its innovative services and practices in line with advances in technology products. We will also continue to focus on efficiency and sustainable profitability.

I would like to extend my thanks to our employees, customers, business partners and shareholders for their valuable contributions to our operations in 2016. I sincerely believe that together we will deliver a much stronger performance in 2017.

Respectfully yours,

Bülent Gürçan
General Manager

EXECUTIVE COMMITTEE



Bülent Gürcan
General Manager

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

He worked as Sales Manager at Sony Gulf between 1992-1993, as Managing Partner at Max Mara between 1993-2000, as Operations Manager at TopShop, Topman/GiySA between 2000-2002 and as Retail Director at Başer Holding between 2002-2004. And having served as Director of Sales and Deputy General Manager of Operations at TeknoSA between 2004-2013, Gürcan was CEO of Media-Saturn Turkey for the subsequent two years.

Gürcan speaks English and French and has been the General Manager at TeknoSA since April 1, 2015.



Ümit Kocagil
Finance Director

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

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

Mr. Kocagil has been serving as Finance Director of TeknoSA since October 25, 2016.



Ayşegül Bahçivanoğlu
Marketing Director

Ayşegül Bahçivanoğlu graduated from New York University's Stern School of Business.

She began her professional career in the Corporate Banking Department at Citibank and later worked as Senior Management Consultant at A.T. Kearney; Advisor to the CEO at Yurtiçi Kargo Geopost; Restructuring Manager at Mey İçki A.Ş., Texas Pacific Group respectively. After joining Peppers and Rogers Group in 2007, Ms. Bahçivanoğlu served as Director of the Brussels Office from 2008 to 2011 and as Managing Partner in the Johannesburg Office, South Africa for the last two years.

Ayşegül Bahçivanoğlu speaks English and French. Bahçivanoğlu, who began working for TeknoSA as Director of Strategy and Business Development in 2013, has been the Director of Marketing since October 1, 2015.



Cenk Öcal
Investment and Construction
Director

Cenk Öcal graduated from Anadolu University, Department of Business Administration in 1996 and studied Public Relations at the same university from 2008 to 2010.

He began his professional career in 1991 as Sales Supervisor at Merloni. He later worked as Marmara Regional Manager at AEG Electrolux, Department Manager at Real Hipermarket, National Chain Accounts Sales Manager at L'Oréal Turkey and as Sales Manager at Alomax Telekom respectively. After joining TeknoSA in 2007, Mr. Öcal worked as Regional Supervisor, Regional Manager and Sales Director (North).

Cenk Öcal speaks English and has been working as the Director of Investment and Construction at TeknoSA since October 1, 2015.



Kayhan Ozar
Director of Supply Chain

Kayhan Ozar graduated from Istanbul University, Department of Business Administration and received his Executive MBA from Istanbul Bilgi University (Manchester Business School).

He began his career in 1992 as Sales Executive at Sezginler Gıda. He then worked as Major Clients Manager and National Clients Manager. In 1997, he became Acting General Manager of Booker Cash & Carry and worked as Director of Operations and General Manager. Between 2002-2006, he was the Export Regional Sales Director at Cadbury Schweppes. Between 2006-2015, he worked at Bimeks as Director of Sales, Director of Purchasing and as a Member of the Executive Committee respectively. Later, Ozar worked as Director of Supply Chain at Genpa.

Kayhan Ozar has been working as the Director of Supply Chain at TeknoSA since October 13, 2015.



Nuran Varol Erzincan
Director of IT Systems

Nuran Varol Erzincan graduated from Istanbul Technical University, Department of Control and Computer Engineering. She then received her Master's degree in computer engineering from the same university.

Ms. Erzincan began her professional career as Network Manager at Milliyet Sistem in 1991. Until 1999, she assumed various management positions at Logo, Gantek Teknoloji and Intellect. Between 1999 and 2007, she worked in various capacities for Turkcell, and as Testing Director in her last role at the company. Later, Ms. Erzincan worked as Program Manager at Innova (2009-2010), Senior Manager at Vodafone (2010-2014), and Managing Partner at Enacore (2014-2015). Before joining TeknoSA, she was the IT Systems Director of Kliksa.

Nuran Varol Erzincan has been serving as Director of IT Systems at TeknoSA since November 7, 2016.

EXECUTIVE COMMITTEE



Evren Dereci
Director of Telecom Services
and Business Development

Evren Dereci graduated from Istanbul University, Department of Economics and received his MBA from the Sloan School of Management at Massachusetts Institute of Technology (MIT).

He began his professional career at the Marketing Department of Unilever. Between 2002-2015, he worked as Consultant and in executive positions at Audit Services, PricewaterhouseCoopers, as Senior Manager at Vodafone, as Director of Sales Development and Planning at Avea, as Director of Commerce of the Consumer Business Unit at Turk Telekom and as Deputy General Manager for Telecom Services and Business Development at BimSA.

Evren Dereci has been serving as the Director of Telecom Services and Business Development at TeknoSA since October 1, 2015.



Tansu Öztörün
İklimSA Director of Business
Unit

Tansu Öztörün graduated from Istanbul Technical University, Department of Mechanical Engineering and received his Master's degree from the Department of Mechanical Engineering at Istanbul University.

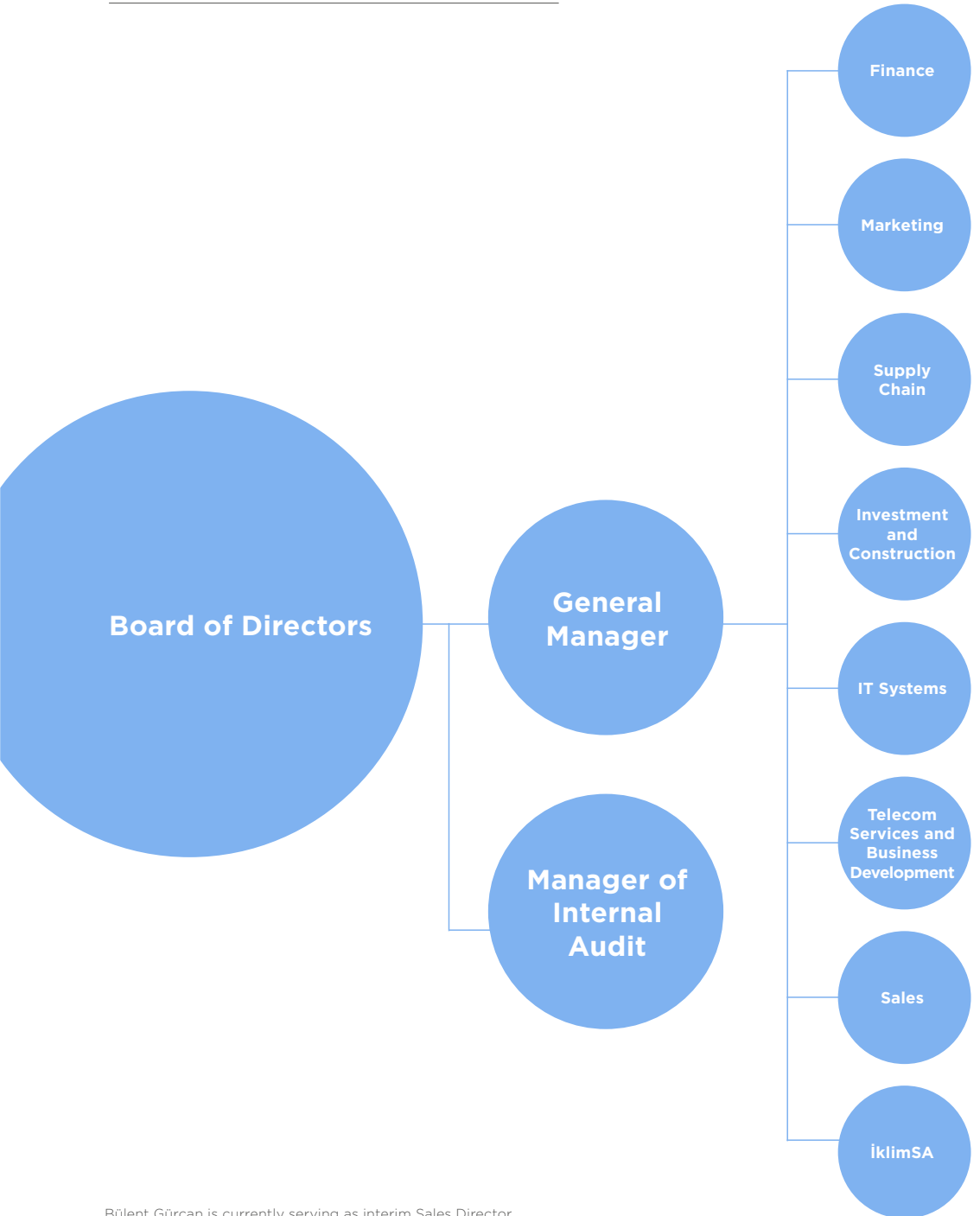
Öztörün began his professional career as Product Manager at Motosan in 1990. He later worked as Post Sales Engineer at Kurteks A.Ş. and as Trade Specialist at Otokar. At ToyotaSA, where he spent 11 years, he worked as Marketing and Sales Training Specialist, Sales Training Chief, Direct Sales Chief,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

Öztörün, who began working for TeknoSA as the İklimSA Director of Sales in 2014, continues to work as İklimSA Director of Business Unit.

EXECUTIVE COMMITTEE MEMBERS WHO RESIGNED FROM THEIR DUTIES IN THE PERIOD:

- Asena Yalınız - Human Resources Director / July 1, 2016
- Seçil Özekin Erdoğan - Strategy and Business Development Director / July 1, 2016
- Zeynel Korhan Bilek - Finance Director / October 21, 2016
- Mehmet Önder Kaplancık - Director of IT Systems / November 7, 2016
- Cemal Cem Işık - Sales Director / December 1, 2016

ORGANIZATIONAL STRUCTURE



Bülent Gürcan is currently serving as interim Sales Director.

AN INNOVATIVE TECHNOLOGY RETAIL CHAIN THAT MAKES A DIFFERENCE

RETAIL SALES

TeknoSA is the pioneering and leading retail chain that makes a difference in the industry with its value added products and services.

Long- Term Leadership

TeknoSA began its operations with five stores in 2000. Today, it provides seamless services to consumers with its Turkey wide store network, teknosa.com online store and mobile platforms. TeknoSA grew steadily within a short span of time and has continuously maintained its position as being the unchanging pioneer of the industry since its establishment. Having started out with only 163 employees, today Company employs 2,688 people all of whom are experts in their relative fields and the Company continues to improve both its service quality and product portfolio.

The Most Widespread Retail Chain in Turkey & An Experience Center for the Whole Family

Adopting the motto “Technology for Everyone”, TeknoSA offers its customers thousands of technology products from hundreds of brands, including electronics, communication devices, grooming products and household appliances; and also its private-label “Preo” branded products and Disney Collection products through its widespread store network as well as online and mobile platforms. Furthermore, TeknoSA provides mobile communication

services under the Teknosacell brand. In line with its omni-channel strategy, TeknoSA continuously improves its organizational structure in order to provide seamless service, while reorganizing its store network and locations to keep up with changing consumer trends and evolving urban spaces and to achieve efficiency.

TeknoSA pioneers innovation in the retailing industry with its unique designs that aim to satisfy customers, as well as with its large variety of products from distinguished brands, value-added services, Disney Collection products that are exclusively sold at TeknoSA and Connected Store concept.

AFTER SALES SERVICES

In order to meet customers’ technological needs, TeknoSA provides seamless services through its call center, instore customer services desks and online store teknosa.com.

The TeknoSA Call Center provides customer satisfaction by analyzing the entire retail process meticulously in order to meet every customer need. Accordingly, customers are able to access the contact details of stores or whether or not a product is in stock through the automated voice response system without waiting for a customer representative at the Call Center.

With the new customer tracking system initiated, customers who get in touch with the Call Center are able to follow up on

Müşteri Hizmetleri

02102

TEKNOSA .com

İnternet Satışları Teslim Nokta

In order to meet customers' technology needs, TeknoSA provides seamless services through its call center, in-store customer service desks and its online store teknosa.com.

TeknoAsist

OMNI-CHANNEL: A KEY DRIVER OF GROWTH

the status of their enquiry through the link e-mailed to them. In addition, customers are also able to use this link to create a new request/complaint record without having to call the Call Center again.

İKLİMSA

Positioned as “Turkey’s Climatization Center,” İklimSA provides globally-leading brands under one roof reinforced with the over 30 year expertise of Sabancı Holding. İklimSA stores include Mitsubishi Heavy Industries, General, Sharp, Sigma (private label) air conditioners and Sharp refrigerators.

With four different brands and nearly 200 models, İklimSA provides services in 199 authorized dealerships in 44 cities and in 222 authorized service centers in 64 cities in Turkey. İklimSA considers post sales services an essential component of customer satisfaction and provides high quality service across the entire country.

E-COMMERCE

In line with the growth trend of e-commerce, the omni-channel strategy, which turns stores into an experience space integrated with digital platforms, became the key to growth. The Company is poised to take future action in e-commerce and mobile commerce. In this respect, the share of Click & Collect applications in e-commerce revenues reached 25%. TeknoSA is the pioneer in the industry in Click & Collect, which enables customers to order online

and collect from a store. As a result of stock synchronization, stock availability and parallel campaigns within the framework of the omni-channel strategy, customers are able to enjoy a seamless and integrated shopping experience in every channel.

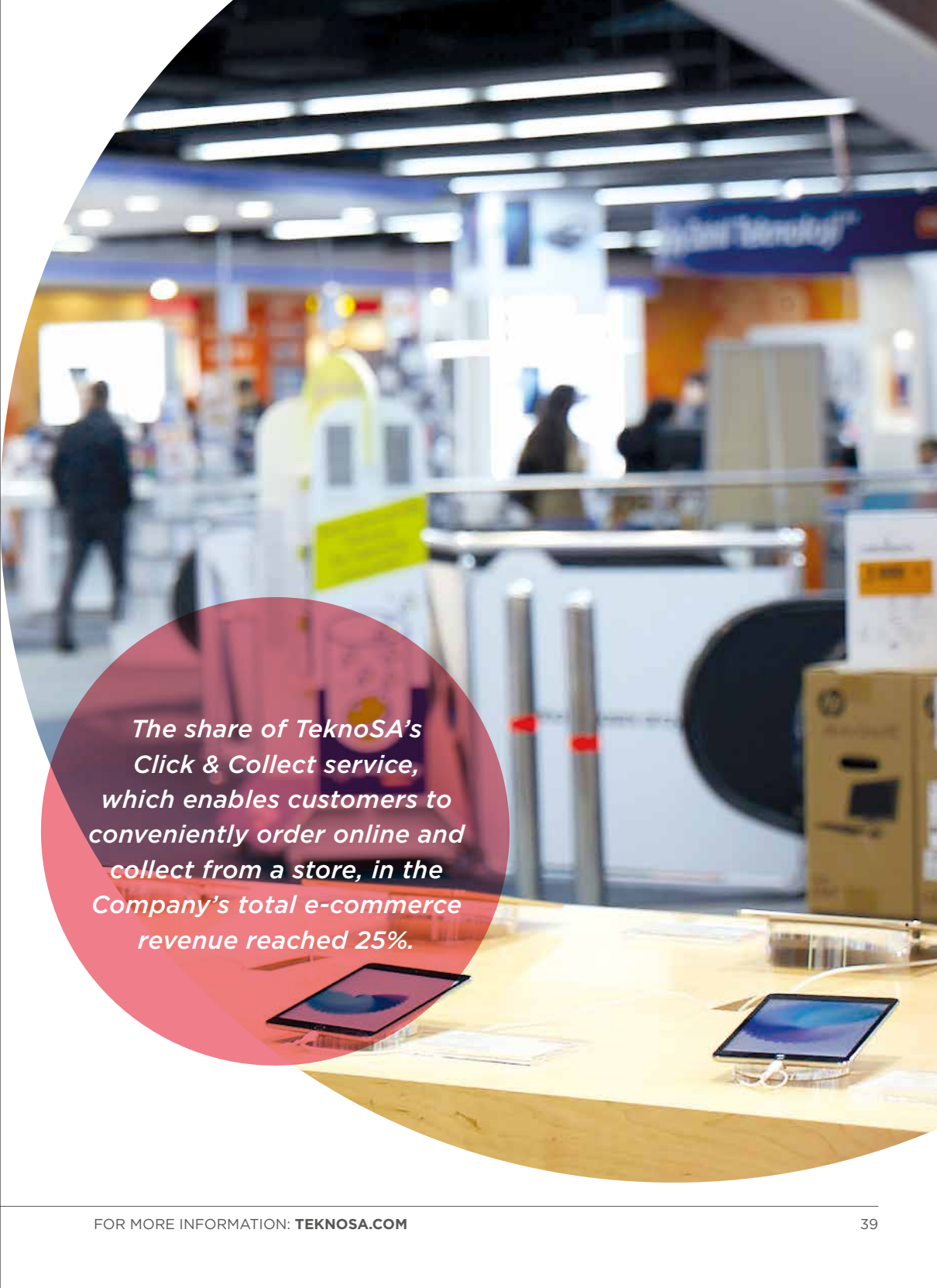
The traffic of teknosa.com, which grew by 4% in 2015, increased by 7% in 2015. In addition to teknosa.com, whose visitor numbers are increasing, the number of customers in mobile channels are also gradually rising. The share of traffic coming through mobile platforms in total e-commerce traffic exceeded 50%.

In addition, the number of users of IOS and Android applications reached 1.7 million. The increase in smart phone and product penetration, meanwhile, is positively affecting the use of mobile applications.

INVESTMENTS

The most widespread and accessible technology retailer in Turkey, TeknoSA continued to invest in its stores and online channels in accordance with its 2016 objectives.

TeknoSA is aware that differentiation in the electronics retailing market can only be achieved through superior customer experience, after-sales services and innovation. Therefore, the Company will plan its investments for the coming period accordingly.



*The share of TeknoSA's
Click & Collect service,
which enables customers to
conveniently order online and
collect from a store, in the
Company's total e-commerce
revenue reached 25%.*

EFFECTIVE AND ACCURATE CAREER PLANNING

HUMAN RESOURCES

TeknoSA, continues its investments in TeknoSA Academy, which was founded in 2005 in order to provide infrastructure for career planning and to create a quality workforce. TeknoSA Academy, where future technology retailers are trained, aims at transferring new developments in the retail industry to employees and at developing employees' competences. The Academy, which today has over 12 thousand graduates, provides efficient and appropriate career planning opportunities to TeknoSA employees since the very beginning.

TeknoSA Academy provides a blended learning curriculum, combining face-to-face classroom training and development courses with online courses, which are time- and place-independent, cost-effective and more efficient. In terms of user habits and access to information, "teknoaakademi.com" serves as the main learning and development resource with its technology infrastructure and user experience design. TeknoSA Academy organizes the learning and development process through four main methods. "teknoaakademi.com" is the main medium that encapsulates all of the learning methods: "TeknoSA Training Platform (LMS)" consists of e-learning courses, e-exams

and surveys; "TeknoTube" is a video-based learning platform; "TeknoBlog" offers opportunities for interactive communication and synergy among employees; and "e-orientation" serves as a reference guide for all employees, from their first day at work and beyond.

ENVIRONMENT

Fulfilling its responsibilities as the industry leader, TeknoSA undertakes efforts to raise awareness and increase knowledge of technology among the younger generation. The Company sets an example for the industry with its initiatives in the conservation of natural resources, as well as energy efficiency, waste management and recycling. These efforts include the collection of electronic waste and used batteries and use of eco-friendly packaging.

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 TAP and Exitcom. Since 2010 approximately 60 tons of electronic waste and tons of batteries



TeknoSA continues its investments in TeknoSA Academy, which the Company founded in 2005 to provide an infrastructure for career planning and to develop a quality workforce.

have been collected at TeknoSA stores across Turkey. In addition, the Company played an important role in bringing recyclable packaging to the environmental economy in cooperation with local governments.

TeknoSA monitors electricity and water consumption at its offices and stores and ensures the use of environmentally friendly and energy-efficient devices. As part of social responsibility efforts, the Company also carries out environmental and waste management projects.

TECHNOLOGY SUPPORT TO **CIVIL SOCIETY ORGANIZATIONS** AND EDUCATIONAL INSTITUTIONS

CORPORATE SOCIAL RESPONSIBILITY

With the responsibility of being the leading technology retailer in Turkey, TeknoSA carries out social responsibility projects in various fields ranging from education, sports, art and the environment to serve the public and to enable wider communities to benefit from technology.

Within the scope of the “Technology for Women” project, free computer courses have been organized for women in different cities of Turkey since 2007. As part of the project, which aims to promote a more active role for women in social and cultural life as well as in the use of technology, more than 15 thousand women in 61 cities were offered free-of-charge computer courses. The courses include topics such as writing on a computer, navigating the internet, sending e-mails, and using social media; thereby enabling women to communicate with their children, grandchildren, friends and family; interact with the world; access information about their areas of interest; and perform transactions that make life easier for them, such as online banking and shopping.

Since 2009, packing papers and gift cards designed by Darüşşafaka students have been sold in TeknoSA Stores located all across Turkey. The entire revenue obtained from the packing papers and some part of the revenue obtained from the gift cards is donated to Darüşşafaka Association. Moreover, support is given via different channels to the activities of the Association in various other fields.

TeknoSA also provides technical support to non-governmental organizations and educational institutions.

NATIONAL TEAM SPONSORSHIP

Believing in the important role of sports and the power of communication in social development, TeknoSA became the Technology Supplier of the Turkish National Football Team and supported the team during the Euro 2016 championship.

LEAGUE OF LEGENDS SPONSORSHIP

TeknoSA is among the leading supporters of e-sports, which has a large fan base in Turkey. The Company became the main sponsor of League of Legends, an online game played by about 4 million young people in Turkey.



More than 15 thousand women in 61 cities have received free computer courses since the start of the project, which aims to empower women in social and cultural life and teach them how to use technology effectively.

CORPORATE 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 policies established as per the Corporate Governance Principles, and the Corporate Governance Principles Compliance Report was announced on the Company's official webpage www.teknosa.com.

Natural and Legal Persons That Directly Hold 5% or More of the Company's Share Capital and Voting Rights:

Corporate Name/Name-Surname	Capital Share (TL)	Capital Share (%)
Hacı Ömer Sabancı Holding A.Ş.	66,310,509.61	60.28
Dilek Sabancı	5,734,598.69	5.21
Sevil Sabancı	5,734,598.68	5.21
Other	32,220,293.02	29.29
Total	110,000,000.00	100.00

Employee Structure	2015	2016
Administrative Personnel of TeknoSA	482	367
Store Personnel of TeknoSA	3,052	2,321
KlikSA	85	0
Total	3,619	2,688

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.

Remuneration 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.

Donation and Aid Policy

In accordance with the Capital Markets Law and the guidelines of its regulations, TeknoSA may aid and donate to persons, non-governmental organizations, associations or charitable foundations, universities, public organizations or institutions that operate with an understanding of social responsibility including but not limited to the fields of education, culture, arts, environment and sports.

In case the value of aid and donation made by TeknoSA is equal to at least 1% more of the total value of the assets in the latest balance sheet that was publicly announced or in case the aid and donation less than 1% of the total value of the assets in the latest balance sheet that was publicly announced, reaches at least 1%; disclosure of material matters will be made.

SUBSEQUENT EVENTS

Important developments publicly announced by our Company after the accounting period that ended as of the 31st of December 2016, are as follows:

APPOINTMENT OF BOARD MEMBERS (JANUARY 5, 2017)

Pursuant to Article 363 of the Turkish Commercial Code, it was decided by majority vote; to appoint Mr. Kâmil Ömer BOZER Member of the Board of Directors, Member of the Corporate Governance Committee, Member of the Early Risk Detection Committee, effective as of January 5, 2017, to serve the unexpired term of his predecessor Ms. Neriman Ülsever, who resigned from her position as Member of the Board of Directors, Member of the Corporate Governance Committee, Member of the Early Risk Detection Committee on January 2, 2017; to submit the Board of Directors' Resolution to the General Assembly for approval at its first meeting; to register the Board of Directors' Resolution with the Istanbul Trade Registry Office; to publish it in the Turkish Trade Registry Gazette, and to disclose it to the public.

AMENDMENT TO THE ARTICLES OF ASSOCIATION (FEBRUARY 3, 2017)

As per the Board of Directors' Resolution dated February 3, 2017, and numbered 1862, it was decided to:

- 1- Amend Article 6 titled "Head Office and Branches" as follows, due to the relocation of the Company's Head Office.
- 2- Amend the validity period of the registered capital ceiling granted by the Capital Markets Board ("CMB") in Article 10 titled "Capital" as follows.
- 3- Apply to the Capital Markets Board to obtain approval for draft amendments.
- 4- File a permit application with the Ministry of Customs and Trade, Directorate General of Domestic Trade after obtaining CMB approval, as per the Turkish Commercial Code.
- 5- Submit the revised/amended versions of Article 6 titled "Head Office and Branches" and Article 10 titled "Capital" of the Company's Articles of Association to the General Assembly for approval, should the Capital Markets Board and Directorate General of Domestic Trade make further amendments.

SECTION I-CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

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

Our Company takes utmost care in complying with all the principles; that are held obligatory and stipulated in the “Communiqué (II-17.1) on “Determination and Implementation of the Corporate Governance Principles”.

On the other hand, full compliance hasn't been achieved yet due to some difficulties experienced during the implementation of certain non-obligatory principles, due to ongoing debates about compliance with certain principles on the international platform as well as in Turkey, and also because of the inapplicability of some principles due to the structure of TeknoSA and the market. The developments in this area are closely followed and compliance efforts continue.

In 2016, in accordance with the legislation, the Company made necessary public disclosures in order to inform the investors and analysts promptly, transparently, consistently, regularly and simultaneously regarding all the important information that may have an impact on their investment decisions and regularly updated the Investor Relations website. Moreover, the Company attended investor meetings and conferences in order to continuously ensure the best communication with investors and analysts. Developments in the Legislation were monitored closely and necessary actions were taken.

There are six members in the TeknoSA Board of Directors in conformity with the Article n.4.3.1 of the Communiqué, and there are two independent members in conformity with the exception stipulated in the first paragraph of the 6th Article of the Communiqué.

Apart from this, the “Nomination Committee” and the “Remuneration Committee” liabilities stipulated in the 4.5.1 Article of the Communiqué, are undertaken by the “Corporate Governance Committee”. Moreover, although the Company pays special attention to comply with the provision of the 4.5.5 Article of the Communiqué on “Members of the Board of Directors cannot assume duties in more than one Committee”; since the Committee membership requires professional expertise, members of our Board of Directors can be a member in more than one Committee.

TeknoSA is aware of its social responsibilities; it complies with the regulations regarding environment, consumers, public health and with the code of ethics. Our Company supports and respects The Universal Declaration of Human Rights.

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 II-SHAREHOLDERS

2.1 Investor Relations Department

In TeknoSA, Investor Relations Department reports to Finance Director Ümit Kocagil, who is also the Member of the Corporate Governance Committee. On the other hand, liabilities of the Investor Relations are fulfilled by the Head of Investor Relations Erman Tütüncüoğlu. Erman Tütüncüoğlu, who is

also a reporter in the Corporate Governance Committee, has the Capital Market Activities Advanced Level 3 License. Investor Relations Coordinator is Zeynep Deniz Dalgin.

The Investor Relations Department can be accessed at yatirimciiliskileri@teknosa.com or at +90 (216) 468 36 36 or via fax number +90 (216) 478 53 47.

Investor Relations Department is in charge of regularly informing the shareholders and prospective investors about the Company's activities, financial condition and strategies, 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 Department is in charge of carrying out shareholder relations within the frame of Corporate Governance Principles. As part of its duties, the Department held 40 meetings in 2016 with investors and analysts both abroad and in Turkey; replied all questions and responded to 60 e-mails. In addition to this, 3 teleconferences were made regarding the Company's financial results and 2 Investor Conferences were attended in and outside the country.

Between the 1st of January 2016 and 31st of December 2016, TeknoSA İç ve Dış Ticaret A.Ş. made 35 disclosures on material matters. Within this period, no information request was made by CMB or BIST.

The report that must be prepared according to the legislation regarding the activities carried out in 2016 for Investor Relations was submitted to the Board of Directors on 9 February 2017.

2.2 The Use of Shareholders' Right to Obtain Information

In 2016, information requests of the shareholders that were made via phone calls or e-mails or the requests directed at the face to face meetings, were answered by the Investor Relations Department and the information that interests the shareholders was announced on the Investor Relations website within the compulsory notification periods. Private Auditor assignment issue was not regulated in the Company's Articles of Association as a right. In 2016, no request was received from the shareholders about this issue.

2.3 General Assembly Meetings

Regulations regarding TeknoSA's General Assembly Meetings were specified in the "TeknoSA A.Ş Internal Directive on Ordinary and Extraordinary General Assembly's Working Principles and Procedures" that is available on the TeknoSA Investor Relations website's Information Society Services pages. Apart from this, as per the legislation, the announcements and documents that must be publicly disclosed via Public Disclosure Platform (KAP) before and after the General Assembly meetings, are available under the topic "General Assembly" that is under the Section "Corporate Governance" on TeknoSA Investor Relations website.

TeknoSA's 2015 Ordinary General Assembly meeting was held on the 24th of March 2016 at 16:00 o'clock, at the address of Sabancı Center Sadıka Ana 1 Meeting Room, Sabancı Center, 4. Levent, Beşiktaş, İstanbul.

Call for the General Assembly was made; as stipulated in the Law and Articles of Association, in a manner containing the agenda, via announcements/ads in the

Trade Registry Gazette copy (n. 9020, dated 26.02.2016 n.9022, dated 01.03.2016), via the TeknoSA's website (www.teknosa.com) and the Electronic General Assembly System of the Central Registry Agency, by using all types of communication methods (besides the ones stipulated in the legislation) including electronic communication in order to reach maximum number of shareholders, at least three weeks prior to the General Assembly meeting date. All kind of information regarding the General Assembly, including the annual report and the financial statements, were made available and kept ready physically in the Company headquarters and on the website for the review of the shareholders.

In order for the shareholders to be represented in the General Assembly; both Electronic General Assembly System was used and the power of attorney form that will be notarized within the framework of the provisions of the Capital Markets Board Communiqué (II-30.1) was made available in the TeknoSA Headquarters and on the website.

Thus, it was ensured that the shareholders who own dematerialized shares that are monitored by the Central Registry Agency and who also have right to attend General Assembly meetings, or their representatives who represent the shareholders with notarized power of attorneys, attended the General Assembly meetings personally or over the Electronic General Assembly system by using their secure electronic signatures. In consequence, the Company pursued practices that would not create inequalities among the shareholders and that would facilitate attendance the meetings by using the easiest method at the lowest price.

TeknoSA's Ordinary General Assembly Meeting was held with the 61.80% participation ratio and TL 110,000,000.00 total nominal value of the Company was represented with 6,798,677,477 shares that have a total nominal value of TL 67,986,774.77.

Members of the Board of Directors, TeknoSA auditor, General Manager (CEO), Finance Director (CFO) and the personnel who made the preparations of the General Assembly meeting attended the General Assembly meeting. However, except the shareholders, the stakeholders and media did not attend the meeting.

The meeting agenda included providing information about the 2015 Annual Report, Auditor's Report and Financial Statements; informing the General Assembly about charitable donations; acquittal of the Members of the Board of Directors; determining the method of using the 2015 profit; determining the limit of charitable donations to be made by the Company in 2016; obtaining approval for Board Member appointments made during the reporting period to fill Board vacancies; Auditor selection; authorizing the Chairman and Members of the Board of Directors to perform the transactions stipulated in the Articles 395 and 396 of the Turkish Commercial Code; obtaining approval for the amendment made to Article 4 of the Company's Articles of Association, with respect to the permits to be obtained from the Capital Markets Board and the Ministry of Customs and Trade.

At the General Assembly meeting; the information about the total TL 153,846 donation made by TeknoSA in 2015 to the non-profit organizations, was presented to the shareholders.

During the General Assembly, shareholders did not use their rights to ask questions and no proposal was given except the agenda items. Meeting minutes of the General Assembly were publicly disclosed via Public Disclosure Platform, and all ads, announcements and documents regarding the General Assembly meeting were submitted for the information of the shareholders and stakeholders on TeknoSA's website.

The shareholders who have control over the management, the members of the Board of Directors, managers with administrative responsibilities, and their spouses, and their relatives by blood and by marriage up to the second degree; did not make any important transactions which could cause a conflict of interest with the partnership or its subsidiaries and/or, on their behalf or someone else's behalf, did not make any commercial transactions intruding the business field of the partnership or its subsidiaries, or, did not join another partnership, dealing with the same type of commercial businesses, as a partner with unlimited liability ("unlimited partner"). The persons, except the ones mentioned above, who have possibility in reaching the Company information, on their behalf, did not make any transactions that were within the scope of the business fields of the company.

2.4 Voting Rights and Minority Rights

According to TeknoSA's Articles of Association, the Company does not have any privileged shares, and has a single right to vote for each share.

Minority shareholders and stakeholders are not represented in the Board of Directors. However, two independent members of the Board of Directors assume duties in the Board of Directors in order to equally represent the minority shareholders, in particular, and all the shareholders and the stakeholders.

As of 31st of December 2016, TeknoSA does not have an associate company that is consolidated with full consolidation method.

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 in 2016.

2.5. Dividend Right

According to the Profit Distribution Policy approved at TeknoSA's Ordinary General Assembly Meeting that was held on the 28th of March 2014; dividend was determined within the framework of the Turkish Code of Commerce provisions, Capital Markets Legislation, other relevant legislation and the relevant article of the Company's Articles of Association regarding profit distribution; and in line with TeknoSA's mid and long term strategies, investment and financial plans; and by considering the economic situation of the country and the sector; and by maintaining the balance between the shareholders' expectations and TeknoSA's requirements.

As a principle, TeknoSA aims to distribute almost all of its distributable profits to its shareholders, while the final decision is taken during the General Assembly taking into consideration the aforementioned factors. TeknoSA does not distribute advance dividends.

Dividends shall be distributed equally to all of the current shares regardless of their dates of issue and/or acquisition at the shortest time, after being approved by the General Assembly, and at the date determined by the General Assembly.

The General Assembly may decide to transfer a portion or the whole amount of the net profits to excess reserves. If the Board of Directors advises the General Assembly not to distribute the profit, the reasoning behind this situation and the planned use of the undistributed profits is explained to the shareholders during the General Assembly. Likewise, the same information is also shared with the public in the Annual Report and at TeknoSA's web-site.

The Dividend Distribution Policy is submitted to the approval of the shareholders during the General Assembly. The Dividend Policy is reviewed by the Board of Directors each year, taking into consideration if there are negative factors in the local and global state of the economy, the projects undertaken by TeknoSA and the current state of the funds. Any changes made in this policy is submitted to the approval of the shareholders at the first General Assembly to be held following the decisions are made and shared with the public at the Company's web-site.

Upon approval of the proposed motion at the TeknoSA Ordinary General Assembly Meeting held on March 24, 2016, it was decided by majority vote to offset TL 94,573,000.00 of "Period Loss" in the Company's financial statements for the 2015 fiscal year, prepared in accordance with the CMB's Communiqué Series: II No: 14.1, and TL

12,846,342.10 of "Period Loss" recorded in the Company's statutory book as per the Tax Procedure Law with profits of previous years.

According to TeknoSA's Articles of Association, there are no privileges in dividend distribution.

The profit distribution policy and annual profit distribution proposal are available in the Annual Report, are submitted for the information of the shareholders at the General Assembly and are publicly disclosed via Investor Relations website.

2.6. Transfer of Shares

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

SECTION III-PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Its Content

TeknoSA's corporate website address is www.teknosa.com. Investor Relations pages in Turkish are available at the URL of <http://yatirimci.teknosa.com/anasayfa> while the Investor Relations pages in English are available at the URL of <http://yatirimci.teknosa.com/homepage>. The Company's Investor Relations website is reviewed and revised within the framework of the topic "2.1 Corporate Website Contents" that is specified in the annex "Corporate Governance Principles to be taken as basis" of the CMB Corporate Governance Communiqué. Within this scope, it is ensured that the information and documents stipulated in the legislation are accessible. The efforts continue to provide the English versions of the information specified in Turkish on the website.

3.2 Annual Report

TeknoSA's Annual Report is prepared and publicly disclosed within the framework of; the provisions of the Regulation on the "Determination of the Minimum Content of the Companies' Annual Reports" published in the Official Gazette n. 28395, dated 28.08.2012, the periods stipulated in the Communiqué (II- 14.1) on the "Principles Regarding Financial Reporting in the Capital Markets" and the Corporate Governance Principles.

Annual Reports are presented to the approval of the Board of Directors and are publicly disclosed together with the financial statements unless the Board of Directors takes a decision with a separate statement of responsibility to announce them after the financial statements' announcement. Annual Reports are available on the TeknoSA's website.

SECTION IV – STAKEHOLDERS

4.1 Informing the Stakeholders

Regarding the issue of informing the stakeholders, TeknoSA takes as a basis the Information Policy published in the Public Disclosure Platform (KAP) on the 26th of December 2014.

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 via 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.

4.2. Stakeholder Participation in Management

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 360° 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 (suppliers, business partners, etc.) as well.

4.3. 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. Within this scope, no complaint was raised by the employees on the issue of discrimination in 2016.

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.

In TeknoSA, human resources processes that are conducted by the Human Resources Manager, Ebru Anıldı recruitment and internship processes as well as performance and career management principles and the training and development requirements within the scope of the career development and back-up systems were determined through TeknoSA Academy. These issues were shared both with the employees and public under the Human Resources section of the Company's corporate website.

TeknoSA respects to and acts in compliance with the legal rules and the private legal rules (if any) such as collective bargaining agreements. The Company pays necessary attention to protect all the rights and to pay all the receivables of the employees within the period starting with their labor agreement and ending with the expiration of the agreement.

4.4. 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 & art; conducts social responsibility projects such as technology trainings, wrapping paper and gift cards projects carried out with Darüşşafaka Association.

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.

SECTION V-BOARD OF DIRECTORS

5.1 Board of Directors' Structure and Formation

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

TeknoSA is governed and represented by a Board of Directors that is composed of at least six members who are elected by the General Assembly within the framework of the provisions of the Turkish Code of Commerce and the Capital Markets Legislation. There are six members in the TeknoSA Board of Directors in conformity with the Article n.4.3.1 of the Communiqué and there are two independent members in conformity with the exception stipulated in the first paragraph of the 6th Article of the Communiqué.

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

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

On the basis of General Meeting's resolution, Board members are authorized to perform transactions within the scope of the Articles 395 and 396 of the Turkish Commercial Code. The information about TeknoSA Board of Directors' Members –who are all non-executive members and whose terms of offices started in March 2015 – is summarized in the below chart while their résumés are available on the Company website and in the related section of the Annual Report:

BOARD OF DIRECTORS^(*)

Name/Surname	Position	Term of Employment in the Company	Duties outside the Company
Zafer Kurtul	Chairman of the Board of Directors	Assigned on 01.06.2016	Board Member and CEO of H.Ö. Sabancı Holding
Temel Cüneyt Evirgen	Vice Chairman of the Board of Directors	12 years	Sabancı University Faculty Member
Barış Oran	Member of the Board of Directors	5 years	Chief Financial Officer of H.Ö. Sabancı Holding
Kamil Özer Bozer	Member of the Board of Directors	Assigned on 05.01.2017	Board Member of CarrefourSA A.Ş.
Oğuz Nuri Babüroğlu	Independent Member of the Board of Directors	5 years	Board Member of Eti Gıda A.Ş.
Atıl Saryal	Independent Member of Board of Directors	2 years	Board Member of KordSA, AkçanSA and OlmukSA companies

^(*)Mr. Haluk Dinçer resigned from his position as Chairman of the Board of Directors on June 1, 2016. Subsequently, it was decided to appoint Mr. Zafer Kurtul for the unexpired term of his predecessor, to submit the decision to the General Assembly for approval, and to elect Mr. Zafer Kurtul Chairman of the Board of Directors. Ms. Neriman Ülsever resigned from her position as Board Member on January 2, 2017, and Mr. Kâmil Ömer Bozer was appointed to serve the unexpired term of his predecessor, starting on January 5, 2017.

5.2. 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.

Every year, the members of the Board of Directors select a chairman and a vice chairman who will be the acting chairman in the absence of the chairman for the management of the meetings. The chairman

of the Board of Directors determines the agenda of the Board of Directors' meetings by getting the opinions of the other members and the general manager. The agenda items of the Board of Directors' meetings are discussed explicitly and with all aspects. The chairman of the Board of Directors is obligated to make the best effort for ensuring effective participation of the non-executive members in the meetings.

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

The Board of Directors convenes as necessitated by the company affairs upon the chairman's or vice chairman's call for the meeting. The meeting date may be determined with the decision of the Board of Directors as well. In case, the chairman or the vice chairman does not call the Board of Directors for the meeting upon the request of one of the members, then the members will have the right to make a call for the meeting ex-officio.

Board of Directors must convene at least four (4) times a year. The meetings of the Board of Directors can be held at the Company headquarters or at another location within or outside the borders of the country that is deemed appropriate by the Committee.

Unless one of the members make a request for a meeting that will be held physically, the decision of the Board of Directors can be taken by means of getting the written approvals of the other members for another member's proposal regarding a certain issue.

Meeting and decision quorums of the Board of Directors are subject to the provisions of the Turkish Code of Commerce. The Board of Directors of the Company held four (4) meetings between 01.01.2016 and 31.12.2016. At the Board meetings each member has 1 vote, and unanimous consent is sought while resolving matters, and the Board always complies with Corporate Governance Principles. 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 are not recorded in the minutes. No opposite opinions were put forward against the resolutions reached by the Board Members at the Board meetings held in 2016.

In 2016, 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.

5.3 Number, Structure and Independency of the Committees Established Within the Structure of the Board of Directors

According to TeknoSA Articles of Association, the Board of Directors establishes sufficient number of Committees ("Committee") in order to fulfill the tasks and responsibilities in a healthy manner.

The "Nomination Committee" and the "Remuneration Committee" liabilities stipulated in the 4.5.1 Article of the Communiqué are undertaken by the "Corporate Governance Committee". Moreover, although the Company pays special attention to comply with the provision of the 4.5.5 Article of the Communiqué on "Members of the Board of Directors cannot assume duties in more than one Committee", since the Committee membership requires professional expertise, members of the Board of Directors can be a member in more than one Committee.

Corporate Governance Committee

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

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

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

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

The Corporate Governance Committee ensures the implementation of the Corporate Governance Principles in the Company, and in case these principles are not implemented then the Committee makes suggestions to the Board of Directors for the improvement. The Committee pursues the activities of

the Investor Relations Department. Besides the Board of Directors' and Executive Managers' performance and remuneration principles and assessments, the Committee submits the independent candidate member proposals – by evaluating the independency criteria of the candidates –, including the candidates nominated by the management and the shareholders, to the Board of Directors. In accordance with the legislation, the Independent Members of the Board of Directors present their independence statements in writing to the Corporate Governance Committee at the time they are nominated.

The Corporate Governance Committee convenes 4 times a year.

With TeknoSA Board of Directors' decision taken on the 5th of January 2017, the Corporate Governance Committee members were determined as follow;

Name/Surname	Position	Nature of the Board of Directors Membership/Position
Oğuz Nuri Babüroğlu	President of the Corporate Governance Committee	Independent Member of the Board of Directors
Atıl Saryal	Member of the Corporate Governance Committee	Independent Member of the Board of Directors
Kamil Ömer Bozer	Member of the Corporate Governance Committee	Member of the Board of Directors
Ümit Kocagil	Member of the Corporate Governance Committee	Finance Director of TeknoSA

Mr. Zeynel Korhan Bilek resigned from his position as Member of the Corporate Governance Committee on October 21, 2016; subsequently Mr. Ümit Kocagil was appointed to serve the unexpired term of his predecessor, effective as of October 25, 2016. Mr. Kâmil Ömer Bozer was appointed, effective as of January 5, 2017, to serve the unexpired term of his predecessor Ms. Neriman Ülsever, who resigned on January 2, 2017.

Corporate Governance Committee convened 5 times in 2016.

Early Risk Detection Committee

The Early Risk Detection Committee was established to be responsible and authorized referring to the TeknoSA İç and Dış Ticaret A.Ş. Board of Directors' resolution on the 24th of October 2013 and in accordance with the Article 378 of The Turkish Code of Commerce n.6102 and the provisions of the Capital Markets Board's Communiqué on the Corporate Governance Principles.

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

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

of Directors. In the Committee; except the President, there are maximum two Members elected by the Company's Board of Directors. The Committee members are preferably elected from among the non-executive Members of the Board of Directors.

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

The term of office of the Committee members are in parallel to the term of office of the Members of the Company's Board of Directors. The Committee is re-established upon the election of the Members of the Board of Directors.

With TeknoSA Board of Directors' decision taken on the 5th of January 2017, the Early Risk Detection Committee members were determined as follow;

NAME/SURNAME	POSITION	NATURE OF THE BOARD OF DIRECTORS MEMBERSHIP
Oğuz Nuri Babüroğlu	President of the Early Risk Detection Committee	Independent Member of the Board of Directors
Atıl Saryal	Member of the Early Risk Detection Committee	Independent Member of the Board of Directors
Kamil Ömer Bozer	Member of the Early Risk Detection Committee	Member of the Board of Directors

Ms. Neriman Ülsever resigned from her position as Member of the Corporate Governance Committee on January 2, 2017; subsequently, Mr. Kamil Ömer was appointed to serve the unexpired term of his predecessor, starting on January 5, 2017.

Early Risk Detection Committee convened 6 times in 2015.

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 President and the members of the Audit Committee are appointed by the Board of Directors from among Independent Members.

With TeknoSA Board of Directors' decision taken on the 25th of March 2016, the Audit Committee members were determined as follow;

Name/Surname	Position	Nature of the Board of Directors Membership
Atıl Saryal	President of the Audit Committee	Independent Member of the Board of Directors
Oğuz Nuri Babüroğlu	Member of the Audit Committee	Independent Member of the Board of Directors

The Audit Committee held 8 meetings in 2016 and the main agenda items were the reviewing of the independent audit report and the presentations of the Audit Committee Presidency.

5.4. 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.

Risk management is conducted by the Early Risk Detection Committee (“Committee”) on behalf of the Board of Directors. The

responsibilities of the Committee are given below:

- To establish a systematic “Risk Management Culture”, and to integrate it into the corporate culture,
- To ensure that risks are effectively identified and managed,
- To provide that appropriate threshold values are identified for effective risk management, and the required infrastructure is set up,
- To ensure that investment decisions are 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 occurrence 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.

5.5. 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. Company's long term strategies are structured on these principles.

The Board of Directors sets the three-year strategic targets after discussing the issue with the General Assembly and updates every year. Whether the Company achieves its targets or not is monitored via monthly prepared manager reports. Yearend performance assessments are based on whether the Company achieves its targets or not.

5.6. 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. Remuneration Policy of the Company is available on the web-site.

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 is not made by stock options or performance-based payment methods.

In 2016, 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.

RELATIONS WITH THE PARENT COMPANY AND ITS SUBSIDIARIES

Referring to the Article 199 of the Turkish Code of Commerce n.6102, information was given about Hacı Ömer Sabancı Holding A.Ş., the parent company of TeknoSA A.Ş., and the widespread and continuous goods and services purchase and sale transactions of the parent company carried out with its subsidiary companies.

The Company's Board of Directors evaluated all transactions, which the Company conducted with the controlling company and its subsidiaries in accordance with the principles of accuracy, integrity and accountability during the reporting year (January 1, 2016 - December 31, 2016), as well as all legal transactions conducted under the direction of the controlling company, and all other measures taken, or refrained from being taken, to the advantage of the controlling company, or one of its subsidiaries in 2016, under the circumstances and conditions known to the Board at the time. As a result, the Board of Directors concluded that the Company did not incur any loss due to any transaction conducted in 2016, based on the circumstances and conditions known to the Board at the time.

INDEPENDENT AUDITOR'S REPORT REGARDING THE ANNUAL REPORT

Deloitte.

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To the Board of Directors of TeknoSA İç and Dış Ticaret A.Ş.

Report Regarding the Audit of the Board of Directors' Annual Report within the framework of the Independent Audit Standards

We have assessed the Annual Report of TeknoSA İç ve Dış Ticaret A.Ş. ("Company") regarding the accounting period that was ended on the 31st of December 2016.

Board of Directors' Responsibility regarding the Annual Report

As per the 514th Article of the Turkish Code of Commerce ("TTK") n.6102 and the Capital Markets Board's ("CMB") Communiqué (II-14.1) on the "Principles Regarding Financial Reporting in the Capital Markets"; the Group management is responsible to prepare the Annual Report in a manner that is consistent with the consolidated financial statements and that truly reflects the facts. Moreover, the Group management is responsible to make the internal control that it deems necessary in order to ensure the preparation of an annual report in this direction.

Independent Auditor's Responsibility

Based on the independent audit we performed within the framework of TTK's 397th Article and the Communiqué, on the Company's Annual Report; our responsibility is to state our opinions on whether the financial data in this Annual Report consists with the Company's consolidated financial statements or not which subjected on independent auditor's report on February 13, 2017, and whether it truly reflects the facts or not.

Our independent audit was made in conformity with the Independent Audit Standards that are part of the Turkish Audit Standards published by the Public Oversight, Accounting and Auditing Standards Authority ("KGK"). These standards stipulate that the independent audit shall be planned and made for the purpose of ensuring compliance with the ethic provisions and providing a reasonable assurance on the issue of whether or not the financial data in the Annual Report consists with the financial statements and whether or not the financial data in the Annual Report truly reflects the facts.

Independent audit includes the implementation of audit procedures with the purpose of obtaining audit evidence about the historical financial information. Selection of these procedures depends on the independent auditor's professional judgment.

We believe that the independent audit evidences that we obtained during our independent audit form a reasonable and sufficient basis for our opinions.

Conclusion

According to our opinion, the financial data, with all its important aspects, in the Board of Directors' Annual Report is consistent with the audited consolidated financial statements and truly reflects the facts.

Other Liabilities Arising from Legislation

As per the 3rd paragraph of the 402nd Article of the Turkish Code of Commerce; we did not encounter any significant issues that must be reported about the corporation's potential inability to continue its activities in the foreseeable future within the framework of BDS 570 "Business Continuity".

DRT BAĞIMSIZ DENETİM AND SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



H. Erdem Selçuk,
Responsible Auditor
Istanbul, February 13 2017

*(CONVENIENCE TRANSLATION OF THE REPORT AND THE
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)*

TEKNOSA İÇ VE DİŞ TİCARET A.Ş.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016
AND INDEPENDENT
AUDITOR'S REPORT**

(CONVENIENCE TRANSLATION 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.

Report on the Financial Statements

We have audited the accompanying financial statements of Teknosa İç ve Dış Ticaret A.Ş. ("the Company") which comprise the balance sheet as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 entity's preparation and fair presentation of the 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Teknosa İç ve Dış Ticaret A.Ş. and its subsidiary as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 13 February 2017.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

H. Erdem Selçuk
Partner

Istanbul, 13 February 2017

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TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TRY) UNLESS OTHERWISE INDICATED.)

	Notes	Current Period 31 December 2016	Prior Period 31 December 2015
ASSETS			
Current Assets		579.697	855.808
Cash and cash equivalents	5	156.094	305.285
Trade receivables	6	56.449	51.203
<i>Trade receivables from related parties</i>	4	1.701	2.008
<i>Trade receivables from third parties</i>		54.748	49.195
Inventories	8	352.687	480.611
Prepaid expenses	9	11.077	15.677
Assets related to current tax	23	-	460
Derivative financial instruments	26	-	360
Other current assets	16	3.390	2.212
Non-Current Assets		188.721	175.467
Other receivables	7	556	671
Investment properties	10	10.196	10.557
Property, plant and equipment	11	98.744	98.760
Intangible assets	12	22.287	21.857
Prepaid expenses	9	577	149
Deferred tax assets	23	56.361	24.570
Other non-current assets	16	-	18.903
TOTAL ASSETS		768.418	1.031.275

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TRY) UNLESS OTHERWISE INDICATED.)

	Notes	Current Period 31 December 2016	Prior Period 31 December 2015
LIABILITIES			
Current Liabilities		825.742	950.447
Trade payables	6	712.323	870.728
<i>Trade payables to related parties</i>	4	4.201	4.332
<i>Trade payables to third parties</i>		708.122	866.396
Payables related to employee benefits	13	13.462	8.896
Other payables	7	1.198	1.014
<i>Other payables to third parties</i>		1.198	1.014
Deferred income	9	23.135	25.286
Short term provisions		48.411	20.018
<i>Short-term provisions for employee benefits</i>	13	7.545	17.630
<i>Other short term provisions</i>	14	40.866	2.388
Other current liabilities	16	27.213	24.505
Non-Current Liabilities		4.591	4.306
Long-term provisions for employee benefits	13	4.591	4.306
EQUITY		(61.915)	76.522
Share capital	17	110.000	110.000
Adjustments to share capital	17	6.628	6.628
Restricted reserves appropriated from profit	17	8.704	8.704
Other reserves		3	3
Other items of comprehensive income that may be reclassified subsequently to profit or loss		-	288
<i>Cash flow hedge reserve</i>		-	288
Other items of comprehensive income that will not be reclassified subsequently to profit or loss		20.130	(1.984)
<i>Losses on remeasurement of defined benefit plans</i>		(1.778)	(1.984)
<i>Gain on revaluation of property</i>		21.908	-
Prior years' (losses)/profit		(46.767)	47.456
Net loss for the period		(160.613)	(94.573)
TOTAL LIABILITIES		768.418	1.031.275

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TRY) UNLESS OTHERWISE INDICATED.)

	Notes	Current Period 1 January - 31 December 2016	Prior Period 1 January - 31 December 2015
Revenue	18	3.074.087	3.205.187
Cost of sales (-)	18	(2.573.138)	(2.615.853)
GROSS PROFIT		500.949	589.334
Marketing expenses (-)	19	(457.092)	(499.746)
General administrative expenses (-)	19	(48.212)	(57.266)
Other income from operating activities	20	20.068	19.452
Other expenses from operating activities (-)	20	(143.056)	(97.178)
OPERATING PROFIT / (LOSS)		(127.343)	(45.404)
Income from investing activities	21	1.072	3.879
OPERATING INCOME / (LOSS) BEFORE FINANCIAL EXPENSE		(126.271)	(41.525)
Finance expenses (-)	22	(66.649)	(61.239)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(192.920)	(102.764)
Tax income / (expense) from continuing operations		32.307	8.191
- Deferred tax income / (expense)	23	32.307	8.191
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(160.613)	(94.573)
PROFIT / (LOSS) FOR THE YEAR		(160.613)	(94.573)
Profit / (loss) for the year attributable to:			
Non-controlling interests		-	-
Owners of the Company		(160.613)	(94.573)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that will not be reclassified subsequently to profit or loss		22.114	(1.513)
<i>Gains on remeasurement of defined benefit plans</i>		258	(1.892)
<i>Gains on revaluation of fixed assets</i>		23.061	-
Income tax relating to items that will not be reclassified subsequently			
<i>Deferred tax (expense) / income</i>		(1.205)	379
Items that will be reclassified subsequently to profit or loss		(288)	288
<i>Gains / (losses) on cash flow hedges</i>		(360)	360
Income tax relating to items that may be reclassified subsequently			
<i>Deferred tax (expense) / income</i>		72	(72)
TOTAL COMPREHENSIVE LOSS		(138.787)	(95.798)
(Loss) / earnings per share	24	(0,015)	(0,009)

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

AUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TRY) UNLESS OTHERWISE INDICATED.)

	Share capital	Adjustments to share capitals	Restricted reserves from profit	Other reserves	Losses on remeasurement of defined benefit plans	Gains on revaluation and remeasurement	Cash flow hedge reserve	Prior years' profit/ (losses)	Net profit/ (loss) for the year	Total equity
Prior period										
Balance at 1 January 2015	110.000	6.628	7161	3	(471)	-	-	85.034	(19.975)	188.380
Transfer to retained earnings	-	-	1.543	-	-	-	-	(21.518)	19.975	-
Dividends (*)	-	-	-	-	-	-	-	(16.060)	-	(16.060)
Total comprehensive loss	-	-	-	-	(1.513)	-	288	-	(94.573)	(95.798)
Balance at 31 December 2015	110.000	6.628	8.704	3	(1.984)	-	288	47.456	(94.573)	76.522
Current Period										
Balance at 1 January 2016	110.000	6.628	8.704	3	(1.984)	-	288	47.456	(94.573)	76.522
Transfer to retained earnings	-	-	-	-	-	-	-	(94.573)	94.573	-
Effect of changes in accounting policies (Note 2.2)	-	-	-	-	-	-	-	350	-	350
Total comprehensive loss	-	-	-	-	206	21.908	(288)	-	(160.613)	(138.787)
Balance at 31 December 2016	110.000	6.628	8.704	3	(1.778)	21.908	-	(46.767)	(160.613)	(61.915)

(*) Dividends paid by the Company per share with a TRY 1 nominal value is TRY 0,15.

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

AUDITED STATEMENT OF CASH FLOWS

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TRY) UNLESS OTHERWISE INDICATED.)

	Notes	Current Period 1 January- 31 December 2016	Prior Period 1 January- 31 December 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		(160.613)	(94.573)
Adjustments:			
Adjustments related to interest expenses	22	66.649	61.239
Adjustments related to depreciation and amortization expenses	19	36.931	41.662
Adjustments related to provisions for employee benefits		5.593	4.606
Adjustments related to impairment of receivables	19	1.059	3.652
Adjustments related to provisions for reorganization	14	12.071	-
Adjustments related to losses on disposal of non-current assets	20	16.288	3.268
Adjustments related to provision for impairment of fixed assets	11	2.890	26.540
Adjustments related to provision for impairment on inventories	8	762	13.037
Adjustments related to other provisions (supplier confirmation differences)	14	6.100	-
Adjustments related to interest incomes	21	(1.072)	(3.879)
Adjustments related to tax income	23	(32.307)	(8.191)
		(45.649)	47.361
Changes in working capital:			
Increase in trade receivables from third parties		(6.612)	(30.014)
Decrease in trade receivables from related parties	4	307	1.991
Decrease in inventories	8	127.162	36.769
(Increase) / decrease in other current assets related to operations		22.372	(11.413)
(Decrease) / increase in trade payables to third parties	7	(158.274)	182.034
Decrease in trade payables to related parties	4	(131)	(2.989)
Increase in other current liabilities related to operations		25.484	14.642
Total Adjustments		(35.341)	238.381
Payments related to provisions for employee benefits		(5.012)	(4.307)
Payment related to other provisions	14	(9.894)	-
Tax paid		-	(1.895)
Cash provided from operations		(50.247)	232.179
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets	11	(24.203)	(37.392)
Purchase of intangible assets	12	(9.869)	(10.463)
Proceeds from sale of other non-current assets		705	1.383
Interest received	21	1.072	3.879
Cash provided from investment activities		(32.295)	(42.593)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	22	(66.649)	(61.239)
Dividend paid		-	(16.060)
Cash provided from financing activities		(66.649)	(77.299)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(149.191)	112.287
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		305.285	192.998
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		156.094	305.285

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TRY) UNLESS OTHERWISE INDICATED.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY

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 website “www.teknosa.com” and air conditioners and white goods through its dealers. The Company’s parent is Hacı Ömer Sabancı Holding A.Ş. and it is ultimately controlled by Sabancı Family members. The number of personnel of the Company is 2.688 as of 31 December 2016 (31 December 2015: 3.619). The Company has been registered in Turkey and operates under the laws and regulations of Turkish Commercial Codes (“TCC”).

The Company become merged with Kliksa İç ve Dış Ticaret A.Ş. which was the 100% subsidiary of the Company in the previous periods based on board decision dated 6 April 2016 through dissolving without liquidation by transferring all of its assets and liabilities fully as of 1 June 2016.

The Company operates in Turkey in 210 stores with 122.580 square meters retail space as of 31 December 2016 (31 December 2015: 171.622 square meters, 278 stores). The registered office address of the company is as follows.

Barbaros Mahallesi, Mor Sümbül Sok. No:7/3F 1-18 Nida Kule Ataşehir Güney B-2, B-3 floor,
Post Code 34746 Ataşehir - İstanbul

The Company’s shares have been traded in Borsa İstanbul (“BİST”) since 2012.

Approval of financial statements

Board of Directors has approved the financial statements and delegated authority for publishing it on 13 February 2017. General Assembly has the authority to modify the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

The attached financial statements are prepared in accordance with the decree Series II No: 14.1 “Principals Relating to the Financial Reporting Standards in Capital Markets” (“Decree”) issued by Capital Markets Board (“CMB”) on 13 June 2013 and published in the Official Gazette numbered 28676 and are based on the Turkish Accounting Standards (“TAS”) and relating interpretations which became effective with the 5th Article of the Decree in consideration by Public Oversight Accounting and Auditing Standards Authority.

Additionally, financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013.

The financial statements have been prepared on the historical cost basis except for revaluation of land, building and derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TRY) UNLESS OTHERWISE INDICATED.)

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

2.1 Basis of Presentation (Continued)

Presentation and Functional Currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Turkish Lira, which is the functional and presentation currency of the Company.

Preparation of Financial Statements in Hyperinflationary Periods

The CMB decision No: 11/367 issued at 17 March 2005 requires all companies operating in Turkey and preparing their financial statements in accordance with the Turkish Accounting Standards to cease the inflation accounting application as of 1 January 2005. Based on this requirement, the application of TAS 29 “Financial Reporting in Hyperinflationary Economies” is ceased as of 1 January 2005.

Comparative information and restatement of the prior periods’ financial statements

Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified and disclosed in line with the related changes. In the current period, the Company made some reclassifications on the prior year financial statements. The details of the reclassifications are as follows:

- In 2015 the Company presented credit card discount expenses amounting TRY 38.022 by netting-off revenue. In the current year, the Company Management reclassified this amount to finance expenses.

The related reclassifications have no effect on the statement of profit or loss.

2.2 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively and prior year financial statements are restated. The Company did not have any changes in its accounting policies in the current year except for those explained below.

The Company has started to carry its land and building which are held for investment property as fair value instead of carrying as cost method. According to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, this accounting policy change requires restatement of prior periods’ financial statements. Since this change has not a significant effect on prior periods, the Company did not restate prior periods’ financial statements by considering materiality level for financial statements. In addition, the Company has started to carry its land and building which are stated as property, plant and equipment as fair value instead of carrying as cost method. Due to the first implementation of revaluation of related fixed assets, the change has not been applied retrospectively based on IAS 8, paragraph 17.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TRY) UNLESS OTHERWISE INDICATED.)

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

2.3 Changes in Accounting Estimates and Errors

If changes in the accounting estimates are related to only one period, they are applied in the current year; if they are related to the future period, they are applied both in current and future periods. The Company has no significant changes to the accounting estimates in the current year.

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements

None.

b) New and revised TAS applied with no material effect on the financial statements

Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation¹</i>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants¹</i>
Amendments to TFRS 11 and TFRS 1	<i>Accounting for Acquisition of Interests in Joint operations¹</i>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 1²</i>
Amendments to TAS 1	<i>Disclosure Initiative²</i>
Annual Improvements to 2012-2014 Cycle	<i>TFRS 5, TFRS 7, TAS 34, TAS 19²</i>
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements²</i>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception²</i>
TFRS 14	<i>Regulatory Deferral Accounts²</i>

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

Amendments to TAS 16 and TAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 Agriculture: Bearer Plants

This amendment includes 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

Amendments to TAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to TFRS 10 and TAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10, TFRS 12 and TAS 28 *Investment Entities: Applying the Exception*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

Amendments to TFRS 10, TFRS 12 and TAS 28 Investment Entities: Applying the Exception (cont'd)

This amendment addresses issues that have arisen in the context of applying the exception for investment entities by clarifying the following points:

- The exemption from preparing financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 Regulatory Deferral Accounts

TFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

c) New and revised TAS in issue but not yet effective

The Company has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

TFRS 9 Financial Instruments

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

TFRS 9 Financial Instruments (cont'd)

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income (“FVTOCI”) measurement category for certain simple debt instruments.

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

2.5 Summary of Significant Accounting Policies

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank deposits and credit card slip receivables (Note 5).

Collection risk due from the credit card sales of the Company belongs to the bank. The risk of doubtful trade receivables due and the credit card slip receivables limited within financial condition and the risk of bank. The Company collects the instalments of the its credit card sales according to 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.

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

2.5 Summary of Significant Accounting Policies (Continued)

Related parties

For the purpose of 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 4).

Trade receivables

Trade receivables that are created by the Company 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 6).

A credit risk provision for trade receivables is established if there is objective evidence that the Company 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.

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 (Note 8).

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

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

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

Inventories and cost of goods sold (cont'd)

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

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Property, plant and equipment and depreciation

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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

2.5 Summary of Significant Accounting Policies (Continued)

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Property, plant and equipment except for land and building are carried at cost less accumulated depreciation in each case. Property, plant and equipment are depreciated on a straight-line basis (Note 11). 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
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 12). 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

Impairment of financial assets

The Company 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 Company 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 income statement.

The Company 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.

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

2.5 Summary of Significant Accounting Policies (Continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers (Note 6). Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Leases - the Company 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 assets and contingent liabilities

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

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

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

Statement of cash flows

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

Cash flows from operating activities represent the cash flows generated from the Company'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 Company.

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

2.5 Summary of Significant Accounting Policies (Continued)

Statement of cash flows (Continued)

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company 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.

Taxation on income

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Deferred tax (Continued)

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

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

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

Current and deferred tax for the period

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

Provision for employment termination benefits

Retirement pay provision

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

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 13).

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

2.5 Summary of Significant Accounting Policies (Continued)

Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 24). In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Foreign currency transactions 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 statement of profit or loss.

Revenue

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 Company sells warranty policies to extend the warranty period of the products provided by the suppliers. In such transactions the Company acts as the agent of an insurance company where the Company 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.

Gift vouchers sold by the Company 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 Company 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.

Under the customer loyalty program, the Company enables its customers to accumulate bonus from shopping made via Turuncukart which is issued by Teknosa. For the cards reached to base bonus limit to be available for shopping, the Company posts the related amounts to the financial statements as liability. Used bonus is then presented in sales discounts.

Interest income is recorded by using the effective interest rate.

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

2.5 Summary of Significant Accounting Policies (Continued)

Warranty expenses and provisions

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

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

Business combinations

Business combinations are accounted for by using the acquisition method. The consideration transferred in a business combination includes the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Acquisition related costs are expensed as they are incurred. The identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values.

Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. If this amount is lower than the market value of the net assets of the subsidiary acquired, the excess amount is recognized directly in the income statement.

Segment reporting

The management has determined the operating segments based on the reports used in taking strategic decisions by the Board of Directors and the executive committee (includes general manager and the assistant general managers).

The executive committee evaluates the business in terms of business unit on the basis of retail and dealer group.

The Board of Directors and the executive committee monitor the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Tax, Employment Termination Benefits, 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 Company. EBITDA is not a measure of operating income, operating performance or liquidity under CMB Financial Reporting Standards. The Company 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).

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

2.5 Summary of Significant Accounting Policies (Continued)

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 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.

Events after the reporting period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information (Note 29).

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Derivative Financial Instruments and Hedge Accounting

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy.

Derivative financial instruments are not used as speculative purposes. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

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

2.5 Summary of Significant Accounting Policies (Continued)

Derivative Financial Instruments and Hedge Accounting (Continued)

The Company's policy to hedge foreign currency risk associated with a binding commitment classifies the related risk as cash flow hedge. When the hedge transaction does not result in the recognition of an asset or a liability, the amounts in equity are recognized in the statement of profit or loss when the hedged item affects the statement of profit or loss. The changes in the fair value of derivatives that do not qualify as cash flow hedge are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, or when it no longer qualifies for hedge accounting. The cumulative gain or loss related with hedge instrument accounted under equity as of such date is continued to be recognized under equity until the expected realization date of the transaction. When the hedge transaction is no longer expected to occur, the net accumulated gain or loss in equity is recognized in profit or loss of the period.

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Company's accounting policies

In the process of applying the entity's accounting policies, the Company Management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Useful life of tangible and intangible assets

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Intangible assets are amortized by straight-line depreciation method over the estimate of their useful lives which are presented below. Useful lives rely on the best estimates of the management, review every balance sheet date and if needed adjustments are proposed.

Tangible assets with finite useful lives that are acquired separately are carried at cost less accumulated depreciation and accumulated impairment losses. Operational performances are evaluated separately as on the basis of each stores. The decision of going bust a store depends on generated discounted cash flow.

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

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Impairment of tangible and intangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. The Company evaluates its operational performance on the basis of each store and decides to end stores operations upon stores' discounted cash flow projections. Stores' cash flow projections prepared according Company's five year long term plans considering remaining economic useful life of the stores. In this context, Company presumes impairments of leasehold improvements on the stores in which Company is the lessee, considering of the stores continuity. The Company did not book a provision for impairment as of 31 December 2016. (Besides, the Company have revised its strategy regarding Kliksa.com which will continue its operations as an outlet channel of Teknosa.com. Therefore; for investments for website of subsidiary, the Company booked a provision for loss on sale of tangible assets for investments made for website of subsidiary amounting TRY 26.099 as of 31 December 2015). In case of estimations and actual results are different, financials may be affected.

Decrease in value of stocks (NRV)

In accordance with the accounting policy, inventories are stated at the net realizable value. The Company accounts for the products whose sales price is below its cost by the lower of cost or net realizable value. NRV report is prepared by comparing the recorded cost value at the end of the month and sales prices obtained from price lists.

Products with low sales performance is provided for on the cost values based on the previous years' sales performances. Aging of stocks in process are made at certain date ranges. Impairment is calculated for every type of category with different periods and different rates from aging by balance sheet date. The Company has booked provision for inventories amounting TRY 16.763 as of 31 December 2016 (31 December 2015: TRY 17.525).

Inactivity for white goods is calculated over 180 days and above, whereas 90 days and above for other goods.

Income Accruals

As of 31 December 2016, the Company has various ongoing lawsuits opened against accrued taxes and penalties by the controllers of the Undersecretariat of Customs as a result of the examination of a certain portion of the air conditioner imports from previous years under two separate investigations.

The Company Management has reversed the receivable paid in previous periods amounting TRY 5.157 which arises as a result of the opinions of the legal counsels and customs experts and based on the fact that there are previous lawsuits finalized in favor of the Company and accounted under other operating expense TRY 5.157 (Note 16).

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

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Deferred Tax Assets

The Company recognizes deferred tax assets and liabilities for temporary timing differences arising from differences between statutory financial statements and financial statements prepared in accordance with the Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”). The Company has deferred tax assets arising from carried forward tax losses and other temporary differences deductible from its potential future profits. That amount of deferred tax assets which is recoverable has been estimated under the current circumstances and information available. During the assessment, due consideration has been given to the future taxable profit projection, potential deadlines for utilization of current period losses, unutilized losses and other tax assets, as well as tax planning strategies which might be adopted where applicable. These planning strategies depend on management estimations and actual outcomes might differ from the estimations.

Restructuring provisions

The Company has recorded some provisions in the financial statements with regard to decisions within the scope of reorganization strategy realized in 2016. These provisions are generally composed of penalty provisions going to be paid to lessors due to early termination of rent contracts, provisions and expenditures regarding employee lawsuits. Rent agreements, legal counselor opinions and management expectations are considered while recording these estimates (Note 14).

Providing financial capability

The Company has net loss amounting TRY 160.613 for the year ended 31 December 2016 and has accumulated losses amounting TRY 207.380 including net losses for the current period. Based on prospective profitability factors considered by the Company Management, some of the stores have been closed and required expenditures and also provisions have been recorded in the financial statements during this phase. Expense and provisions have effect amounting to TRY 93.575. Also based on prospective projections, the Company is going to continue its operations through its existing stores and related strategies will be evaluated by the Company Management to provide financial capability.

In addition to this, the Company made an announcement on Public Disclosure Platform on 31 October 2016 as shown below:

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

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Providing financial capability (Continued)

“The Company issued 30.09.2016 financial statements which are appropriate CMB regulations. In accordance with the CMB’s principal decision, number 2014/11, the Company’s Equity in the financial statements amounting to TRY (-) 73,050,000 and considered Company’s off the balance sheet asset, brand value amounting to TRY 315,159,000 there has been no change in minus (-) situation of the Equity in the properly prepared CMB consolidated financial statements. The statement of financial position is prepared upon this detection and anew CMB’s principal decision, number 2014/11, article of TCC 376. This statement of financial position is prepared including the Company’s brand value. The Company’s equity defined TRY (+) 349,558,980 in the statement of financial position. This amount shows the Company’s paid capital amounting to TRY 110,000,000 is preserved.”

NOTE 3 – SEGMENT REPORTING

The Company began applying TFRS 8 starting from 2009 and determined the reportable segments based on the management reports which are regularly reviewed by the Chief Operating Decision Maker (“CODM”).

CODM in order to take the decisions relating to the allocation of resources to the operating segments and to evaluate the performance of these segments reviews the results by product category and geographical allocation. The Company’s product categories are as follows: electronics retail sales and air conditions, cash registers and white goods through dealers. These sales are also reviewed as stores and dealers (İklimsa). In addition, assets and liabilities are not included since they are not regularly presented to and reviewed by the Company’s CODM.

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NOTE 3 – SEGMENT REPORTING (Continued)

The details of the segment reporting according to the Company's internal reporting are as follows:

	1 January - 31 December 2016		
	Stores	Dealer Group	Total
Total segment income	2.903.864	170.223	3.074.087
Income from third party customers	2.903.864	170.223	3.074.087
Profit before interest, severance pay, depreciation and amortization (EBITDA)	20.177	18.175	38.292
Depreciation and amortization expenses	(36.275)	(656)	(36.931)
Tax income / (expense)	37.111	(4.804)	32.307

	1 January - 31 December 2015		
	Stores	Dealer Group	Total
Total segment income	3.082.730	122.457	3.205.187
Income from third party customers	3.082.730	122.457	3.205.187
Profit before interest, severance pay, depreciation and amortization (EBITDA)	61.105	17.319	78.424
Depreciation and amortization expenses	(41.061)	(601)	(41.662)
Tax income / (expense)	11.698	(3.507)	8.191

Reconciliation of EBITDA with profit before taxes:

	1 January - 31 December 2016	1 January - 31 December 2015
EBITDA for reportable segments	38.292	78.424
Depreciation	(36.931)	(41.662)
Financial expenses	(66.649)	(61.239)
Income from investing activities	1.072	3.879
Other expenses - net ^(*)	(122.988)	(77.726)
Provision for employee termination benefits	(5.716)	(4.440)
(Loss) / Profit before tax	(192.920)	(102.764)

^(*) Other expenses – net balance, consists of Company's credit purchase expense, loss on non-current asset, litigation and execution expenses, competition board penalty (Note 20).

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NOTE 4 - RELATED PARTY DISCLOSURES

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

	31 December 2016	
	Receivables	Payables
	Current	Current
Balances with related parties	Trading	Trading
Akbank T.A.Ş.	556	-
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	430	(65)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	398	(3.730)
Hacı Ömer Sabancı Holding A.Ş.	152	(4)
Temsa Global Sanayi ve Ticaret A.Ş.	73	-
Akçansa Çimento San. ve Tic. A.Ş.	27	-
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	24	-
Avivasa Emeklilik ve Hayat A.Ş.	16	-
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	16	-
Philip Morris Sabancı Pazarlama Satış A.Ş.	9	-
Enerjisa Enerji A.Ş. ve bağlı ortaklıkları	-	(288)
Aksigorta A.Ş.	-	(114)
	1.701	(4.201)

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TRY) UNLESS OTHERWISE INDICATED.)

NOTE 4 - RELATED PARTY DISCLOSURES (Continued)

	31 December 2015	
	Receivables	Payables
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1.468	(177)
Akbank T.A.Ş.	435	(11)
Avivasa Emeklilik ve Hayat A.Ş.	47	(2)
Philip Morris Sabancı Pazarlama Satış A.Ş.	30	-
Akçansa Çimento San. ve Tic. A.Ş.	18	-
Aksigorta A.Ş.	10	(47)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	-	(15)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	(3.099)
Enerjisa Enerji A.Ş. ve bağlı ortaklıkları	-	(954)
Hacı Ömer Sabancı Holding A.Ş.	-	(27)
	2.008	(4.332)
Deposit accounts in Akbank T.A.Ş.	31 December 2016	31 December 2015
Demand deposit	10.377	842
Time deposit	4.000	101.660
	14.377	102.502
Credit card slip receivables in Akbank T.A.Ş.	31 December 2016	31 December 2015
Credit card slip receivables	3.301	1.991
	3.301	1.991

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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NOTE 4 - RELATED PARTY DISCLOSURES (Continued)

1 January - 31 December 2016

Transactions with related parties	Sales	Rent expense	Other income / (expenses)
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	2.732	(4.601)	(953)
Akbank T.A.Ş.	2.096	-	-
Avivasa Emeklilik ve Hayat A.Ş.	480	-	(1.047)
Çimsa Çimento Sanayi ve Ticaret A.Ş.	256	-	-
Akçansa Çimento San. ve Tic. A.Ş.	179	-	-
Temsa Global Sanayi ve Ticaret A.Ş.	176	-	-
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	158	-	(9.401)
H.Ö. Sabancı Holding A.Ş.	133	(10)	(29)
Philip Morris Sabancı Pazarlama Satış A.Ş.	116	-	-
Aksigorta A.Ş.	86	-	(2.891)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	54	-	-
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	18	-	-
Enerjisa Enerji A.Ş. ve İştirakleri	6	-	(4.634)
	6.490	(4.611)	(18.955)

1 January - 31 December 2015

Transactions with related parties	Sales	Rent expense	Other income / (expenses)
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	10.775	(5.249)	(499)
Ak Finansal Kiralama A.Ş.	1.579	-	-
Akbank T.A.Ş.	1.000	-	-
Avivasa Emeklilik ve Hayat A.Ş.	488	-	(1.200)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	314	-	(3.311)
Aksigorta A.Ş.	263	-	(2.283)
Philip Morris Sabancı Pazarlama Satış A.Ş.	217	-	-
Akçansa Çimento San. ve Tic. A.Ş.	182	-	-
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	144	-	-
H.Ö. Sabancı Holding A.Ş.	85	(19)	(176)
Çimsa Çimento Sanayi ve Ticaret A.Ş.	45	-	-
Enerjisa Enerji A.Ş. and its subsidiaries	17	-	(5.647)
Other	14	-	-
	15.123	(5.268)	(13.116)

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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NOTE 4 - RELATED PARTY DISCLOSURES (Continued)

The Company's key management has been identified as the general managers and directors. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the years ended 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Salaries and other benefits	5.579	7.412
	5.579	7.412

NOTE 5 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Cash	3.074	1.908
Demand deposit	18.783	2.218
Time deposit	117.235	288.046
Credit card slip receivables	17.002	13.113
	156.094	305.285

As of 31 December 2016, the Company's all time deposits are Turkish Liras with the average interest rate of 11% (31 December 2015: TRY, 13.44%).

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 31 December 2016 and 2015 are as follows:

Current trade receivables	31 December 2016	31 December 2015
Trade receivables	45.442	44.577
Due from related parties (Note 4)	1.701	2.008
Notes receivables	14.180	10.485
Allowance for doubtful receivables (-)	(4.874)	(5.867)
	56.449	51.203

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

The details of provision for doubtful trade receivables as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Balance at beginning of the year	5.867	2.215
Provision for the year	1.059	3.652
Reversal of provision	(2.052)	-
Closing balance	4.874	5.867

As of 31 December 2016 and 2015, the Company holds the below collaterals for its checks, notes and trade receivables.

	31 December 2016	31 December 2015
Letters of guarantees received	14.200	9.110
Mortgages	2.785	3.588
	16.985	12.698

Fair value of the collaterals which the Company is permitted to sell or repledge in the absence of default by the owner of the collateral is TRY 16.985 (31 December 2015: TRY 12.698). As of the balance sheet date, there are not any collaterals or mortgages which are sold or re-pledged.

Current trade payables	31 December 2016	31 December 2015
Trade payables	707.183	859.297
Trade payables to related parties (Note 4)	4.201	4.332
Expense accruals	939	7.099
	712.323	870.728

As of 31 December 2016, the Company netted of income accruals related to suppliers amounting to TRY 10.814 with trade payables (31 December 2015: TRY 43.769).

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Other Receivables	31 December 2016	31 December 2015
Deposits and guarantees given	556	671
	556	671

Other Payables	31 December 2016	31 December 2015
Deposits and guarantess received	1.198	1.014
	1.198	1.014

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NOTE 8 - INVENTORIES

The details of the inventories as of 31 December 2016 and 2015 are presented below:

	31 December 2016	31 December 2015
Trade goods	368.380	496.076
Goods in transit	1.070	2.060
Provision of impairment on inventories (-)	(16.763)	(17.525)
	352.687	480.611

	1 January- 31 December 2016	1 January- 31 December 2015
Provision of impairment on inventories:		
Opening balance at 1 January	(17.525)	(4.488)
Charge for the year	-	(13.037)
Reversal of the provision, net	762	-
Closing balance at 31 December	(16.763)	(17.525)

NOTE 9 - PREPAID EXPENSES AND DEFERRED REVENUE

The details of other current assets as of 31 December 2016 and 2015 are presented below:

Short-term prepaid expenses	31 December 2016	31 December 2015
Order advances given for inventory purchase	6.676	6.368
Short term prepaid expenses	4.401	9.309
	11.077	15.677

Long-term prepaid expenses	31 December 2016	31 December 2015
Long term prepaid expenses	577	149
	577	149

The details of the deferred revenue as of 31 December 2016 and 2015 are presented below:

Short-term deferred revenue	31 December 2016	31 December 2015
Order advances received	22.297	24.666
Other	838	620
	23.135	25.286

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NOTE 10 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation as of 31 December 2016 and 31 December 2015 are as below:

	Lands	Buildings	Total
Cost Value			
Opening balance at 1 January 2016	2.775	8.811	11.586
Revaluation fund (Note 11)	3.754	-	3.754
Impairment during the year (Note 11)	-	(4.020)	(4.020)
Closing balance at 31 December 2016	6.529	4.791	11.320
Accumulated Depreciation			
Opening balance at 1 January 2016	-	(1.029)	(1.029)
Charge for the year	-	(95)	(95)
Closing balance at 31 December 2016	-	(1.124)	(1.124)
Net book value as of 31 December 2016	6.529	3.667	10.196

Depreciation expenses amounting to TRY 95 (2015: TRY 95) are included in marketing expenses.

	Lands	Buildings	Total
Cost Value			
Opening balance at 1 January 2015	2.775	8.811	11.586
Additions	-	-	-
Closing balance at 31 December 2015	2.775	8.811	11.586
Accumulated Depreciation			
Opening balance at 1 January 2015	-	(840)	(840)
Charge for the year	-	(189)	(189)
Closing balance at 31 December 2015	-	(1.029)	(1.029)
Net book value as of 31 December 2015	2.775	7.782	10.557

The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to TRY 450 (2015: TRY 480). Direct operating expenses arising on the investment property in the period include maintenance and repair costs which amounted to TRY 717 (2015: TRY 353). Operating expenses which do not belong to Teknosa store are distributed to lessees.

Explanations for revaluation of land and building in investment property and property, plant and equipment are made in Note 11. There has been no change to the valuation technique during the year. Depreciation expenses are included in general administrative expenses (2015: General administrative expenses).

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENTS

The movement of tangible assets and related accumulated depreciation as of 31 December 2016 is as below:

Cost value	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Opening balance at 1 January 2016	3.444	6.323	359	66	85.363	123.722	3.011	222.288
Additions	-	-	-	-	4.299	8.370	11.534	24.203
Disposals	-	-	(20)	(9)	(12.122)	(38.939)	-	(51.090)
Revaluation fund (*)	23.061	-	-	-	-	-	-	23.061
Transfers from construction in progress (**)	-	-	-	-	5.997	4.691	(14.204)	(3.516)
Closing balance at 31 December 2016	26.505	6.323	339	57	83.537	97.844	341	214.946
Accumulated depreciation and impairment losses								
Opening balance at 1 January 2016	-	(810)	(265)	(38)	(55.926)	(66.489)	-	(123.528)
Current charge	-	(79)	(40)	(8)	(10.392)	(13.364)	-	(23.883)
Disposals	-	-	20	7	9.967	23.352	-	33.346
Provision for impairment (*)	-	(2.890)	-	-	-	-	-	(2.890)
(Provision for) / reversal of impairment; net (**)	-	-	-	-	(342)	1.095	-	753
Closing balance at 31 December 2016	-	(3.779)	(285)	(39)	(56.693)	(55.406)	-	(116.202)
Net book value at 31 December 2016	26.505	2.544	54	18	26.844	42.438	341	98.744

(*) The Company's freehold land and building are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and building as at 18 May 2016 were performed by Taisinmaz Değerleme Müşavirlik A.Ş. ("Tadem"), independent valuers not related to the Company. Tadem has been authorized by and a member of CMB, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. Gains on revaluation of land used by the Company amounting TRY 23.061 has been accounted under gains on revaluation and remeasurement account under equity whereas loss from revaluation of building used by the Company amounting TRY 2.890 has been accounted under statement of profit or loss. Revaluation gain and loss for investment property part of the relevant land and building amounting TRY 3.754 and TRY 4.020 respectively has been accounted under retained earnings (Note 2.2). Fair value of the related land and building is level 2.

(**) The additions amounting to TRY 3.516 related to intangible assets as of 31 December 2016.

(***) Impairment calculated for tangible assets is TRY 1.722 as of 31 December 2016. Reversal of impairment amount in the period is TRY 2.475.

Depreciation expenses amounting to TRY 22.594 (2015: TRY 25.511) are included in marketing expenses and TRY 1.289 (2015: TRY 1.953) are included in general administrative expenses.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENTS (Continued)

The movement of tangible assets and related accumulated depreciation as of 31 December 2015 is as below:

Cost value	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Opening balance at 1 January 2015	3,444	6,321	443	98	82,521	120,897	10,022	223,746
Additions	-	2	-	-	4,412	7,065	25,913	37,392
Disposals	-	-	(84)	(32)	(5,013)	(8,943)	-	(14,072)
Provision for impairment ^(*)	-	-	-	-	-	-	(19,067)	(19,067)
Transfers from construction in progress ^(**)	-	-	-	-	3,443	4,703	(13,857)	(5,711)
Closing balance at 31 December 2015	3,444	6,323	359	66	85,363	123,722	3,011	222,288
Accumulated depreciation and impairment losses								
Opening balance at 1 January 2015	-	(697)	(308)	(61)	(48,734)	(55,685)	-	(105,485)
Current charge	-	(113)	(41)	(9)	(11,023)	(16,278)	-	(27,464)
Disposals	-	-	84	32	3,870	4,994	-	8,980
(Provision for) / reversal of impairment, net ^(*)	-	-	-	-	(39)	480	-	441
Closing balance at 31 December 2015	-	(810)	(265)	(38)	(55,926)	(66,489)	-	(123,528)
Net book value at 31 December 2015	3,444	5,513	94	28	29,437	57,233	3,011	98,760

^(*) Impairment calculated for tangible assets is TRY 22,430 as of 31 December 2015. Reversal of impairment amount in the period is TRY 3,804.

^(**) The additions amounting to TRY 5,711 relate to intangible assets as of 31 December 2015.

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NOTE 12 – INTANGIBLE ASSETS

Cost Value	Licenses and Rights	Computer Softwares	Total
Opening balance at 1 January 2016	6.789	60.298	67.087
Additions	330	9.539	9.869
Disposals	(2.752)	(137)	(2.889)
Transfers from construction in progress	319	3.197	3.516
Closing balance at 31 December 2016	4.686	72.897	77.583

Accumulated Amortization

Opening balance at 1 January 2016	(2.735)	(42.495)	(45.230)
Charge for the year	(140)	(12.813)	(12.953)
Disposals	2.702	152	2.854
(Provision for)/ reversal of impairment	47	(14)	33
Closing balance at 31 December 2016	(126)	(55.170)	(55.296)
Net book value as of 31 December 2016	4.560	17.727	22.287

Cost Value	Licenses and Rights	Computer Softwares	Total
Opening balance at 1 January 2015	6.516	44.397	50.913
Additions	216	10.247	10.463
Transfers from construction in progress	57	5.654	5.711
Closing balance at 31 December 2015	6.789	60.298	67.087

Accumulated Amortization

Opening balance at 1 January 2015	(1.438)	(22.310)	(23.748)
Charge for the year	(880)	(13.129)	(14.009)
Provision for impairment	(417)	(7.056)	(7.473)
Closing balance at 31 December 2015	(2.735)	(42.495)	(45.230)
Net book value as of 31 December 2015	4.054	17.803	21.857

Amortization expenses amounting to TRY 739 (2015: TRY 1.526) are included in marketing expenses and TRY 12.214 (2015: TRY 12.483) are included in general administrative expenses.

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NOTE 13 - PAYABLES RELATED TO EMPLOYEE BENEFITS

The details of the due to employees as of 31 December 2016 and 2015 are presented below:

	31 December 2016	31 December 2015
Social security premiums payable	7.167	8.818
Accrued salaries	6.295	78
	13.462	8.896

The details of the provisions related to employee benefits as of 31 December 2016 and 2015 are presented below:

<i>Short-term provisions</i>	31 December 2016	31 December 2015
Sales personnel premium provision	3.310	3.733
Unused vacation provision	2.268	2.391
Other premium provision	1.818	402
Restructuring provisions ^(*)	149	11.104
	7.545	17.630

^(*) The Board of Directors of the Company has performed a general evaluation of the operations in December 2015 and resolved to authorize the Company management to assess the organizational structure of the headquarter, warehouses and stores in light of the expected macroeconomic indicators and the Company's strategic and commercial targets. In this direction, the Company resolved to switch its usual organizational structure to a more efficient central supporting office and saving expenditures related to central office, center of logistics and stores, and assessing the strategy of Kliksa A.Ş. which was the 100% subsidiary of the Company in the previous periods for the aim of improving its financial performance. The Company provided provision for anticipated expenses in financial statements as of 31 December 2015 and reversed realized portions in 2016.

<i>Long-term provisions</i>	31 December 2016	31 December 2015
Retirement pay provision	4.533	4.087
Other premium provision	58	219
	4.591	4.306

Retirement pay provision:

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

The amount payable consists of one month's salary limited to a maximum of TRY 4.297,21 (2015: TRY 3.828,37) for each period of service at 31 December 2016.

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NOTE 13 – PAYABLES RELATED TO EMPLOYEE BENEFITS (Continued)

Retirement pay provision (cont'd):

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3,76% real discount rate (31 December 2015: 3,68%) calculated by using 6,50% annual inflation rate and 10,50% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel are taken into consideration as 21,33% and 11,82%, respectively (31 December 2015: 27,92% and 17,59%), and 0% for employees working for 16 years and over. Ceiling for retirement pay is revised semi-annually. Ceiling amount of TRY 4.426,16 which is effective since 1 January 2017 is used in the calculation of Company's provision for retirement pay liability.

Probability has been determined as 100% for employees whose insurance register began before September 1999 (221 personnel) and the provision has been calculated accordingly. Total actuarial gain has been determined as TRY 258 and recognized directly in equity.

The movement termination pay provision as of 31 December 2016 and 2015 is as below:

	31 December 2016	31 December 2015
Provision at 1 January	4.087	2.062
Service cost	5.562	4.365
Interest cost	154	75
Actuarial (gain) / loss	(258)	1.892
Termination benefits paid	(5.012)	(4.307)
	4.533	4.087

The main factors during the calculation of termination pay provision are discount rates and employee turnover rates.

If the discount rate had been 1% higher (lower), provision for employee termination benefits would decrease by TRY 514 or (increase) by TRY 614.

If the anticipated turnover rate had been 5% lower (higher) while all other variables were held constant, provision for employee termination benefits would increase by TRY 623 or (decrease) by TRY 314.

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NOTE 14 – PROVISIONS

The details of the other current provisions as of 31 December 2016 and 2015 are presented below:

	31 December 2016	31 December 2015
Rent rescission provisions ^(*)	12.071	-
Competition Board penalty provision (Note 15)	13.517	-
Litigation provisions ^(**)	9.152	1.520
Supplier confirmation provisions ^(***)	6.100	-
Other	26	868
	40.866	2.388

^(*) Rent rescission provisions are composed of penalty provisions which are related to closed stores before rental contracts' due dates required to pay to lessors.

^(**) Litigation provisions are composed of consumer and employment lawsuits filed against the Company.

^(***) Supplier confirmation provisions are mainly composed of provisions for unconfirmed invoices between suppliers and the Company.

The movement of provisions except for competition board penalty and other provisions for the period ended 31 December 2016 are as follows:

	31 December 2015	1 January - 31 December 2016 additional provisions	1 January - 31 December 2016 paid/reversed provisions	31 December 2016
Rent rescission provisions	-	28.988	(16.917)	12.071
Litigation provisions	1.520	17.578	(9.427)	9.152
Reemployment lawsuits	519	12.294	(8.426)	3.868
Consumer lawsuits	1.001	1.984	(1.001)	1.984
Rent lawsuits provisions	-	3.300	-	3.300
Supplier confirmation provisions	-	14.000	(7.900)	6.100
	1.520	60.566	(34.244)	27.323

NOTE 15 – COMMITMENTS

Operating lease agreements

The Company leases various retail spaces as sales area, offices and warehouses by entering into operating lease agreements. These 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 TRY, Euro and USD and the rentals are increased by using 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.

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NOTE 15 – COMMITMENTS (Continued)

Operating lease agreements (cont'd)

The minimum lease payments related tons on cancellable operating leases are as follows:

	31 December 2016	31 December 2015
Less than 1 year	145.871	67.272
Between 1-5 years	428.893	678.737
More than 5 years	124.535	131.730
	699.299	877.739

Custom duty and penalty

Some of the previous years' air conditioner imports of the company are being investigated by Customs Consultancy Inspector within two different investigations as of 31 December 2016. As a result of these investigations, the Custom Consultancy Inspectors identifications caused 135 lawsuits amounting to TRY 9,045 as a result of tax operations penalties. Regarding this, 24 lawsuits with the total amount of TRY 2.527 are still under judgment. Based on a subject related to Restructuring of Some of Receivables which is declared on official gazette numbered 29806 on 19 August 2016, the Company applied to Custom Office to benefit from this subject. As of 8 October 2016, new order of payment issued, regarding to order of payment, TRY 3.297 is paid on 28 November 2016 and cases resulted in waiver due to settlement. The Company Management has reversed receivables paid in previous periods amounting TRY 5.157 which arises as a result of the opinions of the legal counsels and customs experts and based on the fact that there are previous lawsuits finalized in favor of the Company and accounted under other expenses from operating activities.

Competition Board Investigation

The Competition Board resolved to commence a prosecution by the resolution no. 15-08/108 dated 19 February 2015 against the Company and other companies mentioned in the resolution requesting their statement in order to predict if the Law no. 4054 is violated or not. By the resolution no. 15-28/319-M dated 7 July 2015 of the inquiry has been extended as consumer electronics and has been with former investigation. All of defense statements for this investigation has been mentioned. Verbal self-defense was also completed on 25 October 2016. Announcement of conclusion for investigation is anticipated to be made in the month of November 2016. Likewise, by the resolution no. 15-28/319-M dated 7 July 2015 Kliksa İç ve Dış Ticaret A.Ş. which was the 100% subsidiary of the Company in the previous periods has been included to the investigation and mentioned their statement identically. Verbal self-defense was also completed on 25 October 2016. As of 11 November 2016, the final decision of the Competition Board was published on the official web site of the Board for two investigation files. In accordance with the decision, Teknosa and Kliksa are judged to total TRY 18.026 penalty fine. In accordance with the resolution, Teknosa and Kliksa have been fined with a total TRY 18.026 penalty. The resolution has not been communicated, whereas upon the notification, the Company will appeal to administrative court and also make payment within 30 days from the date of notification in order to pay 3/4 of the penalty in accordance with the Law of Misdemeanor Article 17/6. Regarding the 3/4 of the penalty, provision has been booked amounting to TRY 13.517 in Other Expenses from Operating Activities.

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NOTE 15 – COMMITMENTS (Continued)

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages (“CPM”) given by the Company as of 31 December 2016 and 2015 are as follows:

CPMs given by the Group	31 December 2016			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	63.205	8.022	5.117	15.990
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	63.205	8.022	5.117	15.990
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
Total	63.205	8.022	5.117	15.990

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NOTE 15 – COMMITMENTS (Continued)

Collateral, pledge, mortgage position (Continued)

	31 December 2015			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	54.601	7.717	5.059	16.088
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	54.601	7.717	5.059	16.088
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
Total	54.601	7.717	5.059	16.088

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 2016 is 0% (31 December 2015: 0%).

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NOTE 16 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current and non-current assets as of 31 December 2016 and 2015 are presented below:

<i>Other current assets</i>	31 December 2016	31 December 2015
Advances given	3.251	2.121
Other current assets	139	91
	3.390	2.212

<i>Other non-current assets</i>	31 December 2016	31 December 2015
Deferred VAT	-	13.746
Income accrual (Note 15)	-	5.157
	-	18.903

The details of the other current liabilities as of 31 December 2016 and 2015 are presented below:

<i>Other current liabilities</i>	31 December 2016	31 December 2015
VAT payable	18.222	20.519
Other expense accruals ^(*)	8.539	3.113
Other liabilities and obligations	452	873
	27.213	24.505

^(*) Other expense accruals consist of irrecoverable voucher cheques which were given and used under Teknosamobil subscription, Kliksa expense accruals and provisions for other miscellaneous expenses.

NOTE 17 – EQUITY

The Company's approved and issued share capital consists of registered nominal value of TRY 0,10 with 11.000.000.000 outstanding.

The details of the share capital of 31 December 2016 and 2015 are presented below:

Shareholders:	%	31 December 2016	%	31 December 2015
Hacı Ömer Sabancı Holding A.Ş.	60,28	66.311	60,28	66.311
Sabancı Family	28,06	30.864	28,06	30.864
Publicly traded on Borsa İstanbul	11,66	12.825	11,66	12.825
Nominal capital	100,0	110.000	100,0	110.000
Adjustments to nominal capital		6.628		6.628
Adjusted capital		116.628		116.628

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NOTE 17 – EQUITY (Continued)

Restricted Reserves Appropriated from Profit

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

Legal reserves as mentioned above shall be classified as “Restricted Reserves Appropriated from Profit” according to Capital Markets Board financial reporting standards. The details of legal reserves are stated below as of 31 December 2016 and 2015:

	31 December 2016	31 December 2015
Legal reserves	8.704	8.704
	8.704	8.704

Profit Distribution

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

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

NOTE 18 – REVENUE

The details sales and cost of sales as of 31 December 2016 and 2015 are stated below:

	1 January – 31 December 2016	1 January – 31 December 2015
Sales income (net)		
Consumer electronics retail sales	2.903.864	3.082.730
Sales of air conditioner, cash registers and white goods	170.223	122.457
	3.074.087	3.205.187
Cost of sales		
Cost of goods sold	(2.562.289)	(2.608.028)
Installation and warranty expenses	(10.849)	(7.825)
	(2.573.138)	(2.615.853)

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NOTE 19 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing and administrative expenses as of 31 December 2016 and 2015 are stated below:

Marketing expenses	1 January – 31 December 2016	1 January – 31 December 2015
Rent expenses	(164.012)	(164.842)
Personnel expenses	(148.280)	(148.155)
Advertising and promotion expenses	(55.086)	(83.959)
Transportation expenses	(23.147)	(28.788)
Depreciation and amortization expenses	(23.139)	(26.065)
Energy, fuel and water expenses	(13.456)	(15.107)
Consulting expenses	(7.364)	(8.349)
Maintenance expenses	(8.377)	(8.099)
Communication expenses	(1.104)	(1.288)
Travel expenses	(1.270)	(1.529)
Other expenses	(11.857)	(13.565)
	(457.092)	(499.746)

The details of administrative expenses as of 31 December 2016 and 2015 are stated below:

Administrative expenses	1 January – 31 December 2016	1 January – 31 December 2015
Personnel expenses	(13.455)	(16.657)
Depreciation and amortization expenses	(13.792)	(15.597)
IT expenses	(9.804)	(7.288)
Rent expenses	(3.414)	(6.104)
Consulting expenses	(3.414)	(4.448)
Allowance for doubtful receivable expense	(1.059)	(3.652)
Travel expenses	(443)	(458)
Energy, fuel and water expenses	(493)	(494)
Maintenance expenses	(454)	(439)
Other expenses	(1.884)	(2.129)
	(48.212)	(57.266)

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NOTE 20 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities as of 31 December 2016 and 2015 are stated below:

Other income from operating activities	1 January – 31 December 2016	1 January – 31 December 2015
Foreign exchange gains	9.081	5.963
Discount income	6.096	6.087
Gains from unused gift vouchers	1.588	679
Deductions from personnel	821	759
Gains from releasing from stores and subleasings	447	480
Commissions income	75	3.986
Other income	1.960	1.498
	20.068	19.452

The details of other expenses from operating activities as of 31 December 2016 and 2015 are stated below:

Other expenses from operating activities (-)	1 January – 31 December 2016	1 January – 31 December 2015
Discount expenses	(38.449)	(43.348)
Early termination rent penalties	(21.965)	-
Loss from dispose of fixed assets	(16.288)	(3.268)
Competition Board penalty (Note 14,15)	(13.517)	-
Reorganization expenses	(11.454)	(10.876)
Foreign exchange losses	(9.355)	(5.444)
Custom litigation expenses and provisions (*)	(8.453)	-
Litigation expenses	(7.786)	(3.239)
Supplier confirmation provision expenses (Note 14)	(6.100)	-
Rent litigation expenses (Note 14)	(3.300)	-
Impairment expense in fair value of fixed assets (Note 11)	(2.890)	(26.540)
Indemnity and penalty expenses	(875)	-
Other expenses	(2.624)	(4.463)
	(143.056)	(97.178)

(*) TRY 5.157 of custom litigation provision and expenses is composed of receivable reversal and TRY 3.297 of is composed of provision which is going to be paid on the purpose of utilization from tax amnesty.

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NOTE 21 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities as of 31 December 2016 and 2015 are stated below:

	1 January - 31 December 2016	1 January - 31 December 2015
Interest income	1.072	3.879
	1.072	3.879

NOTE 22 - FINANCIAL EXPENSES

The details of financial expenses as of 31 December 2016 and 2015 are stated below:

	1 January - 31 December 2016	1 January - 31 December 2015
Credit card discount expenses	(36.285)	(38.022)
Credit card commission expenses	(12.049)	(11.694)
Interest and commission expenses	(17.748)	(7.410)
Credit card promotion expenses	(63)	(3.650)
Guarantee letters commission expenses	(451)	(244)
Other finance expenses	(53)	(219)
	(66.649)	(61.239)

NOTE 23 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	1 January - 31 December 2016	1 January - 31 December 2015
Tax provision		
Current corporate tax expense	-	-
Deferred tax income	32.307	8.191
	32.307	8.191

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NOTE 23 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a tax return. Therefore, provisions for taxes, as reflected in the accompanying financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2016 is 20% (2015: 20%) for the Company.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2016 is 20%. (2015: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

Deferred Tax:

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements.

These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2015: 20%) is used.

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NOTE 23 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred Tax (Continued)

Deferred tax assets / (liabilities)	31 December 2016	31 December 2015
Reversal of income accruals arising from additional guarantees	4.424	8.788
Tax losses carried forward	40.643	9.285
Kliksa's prior year expense accruals	4.182	-
Expense accruals	2.019	1.944
Inventories	4.632	4.822
Provision for restructuring expense	-	6.730
Provision for confirmation differences	1.220	-
Provision for employment termination benefits	906	812
Provision for unused vacations	454	478
Provision for litigations	1.830	304
Discount expenses	97	33
Provision for rent rescission expenses	3.074	-
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(6.625)	(6.795)
Income accruals	(783)	(1.073)
Discount income	(632)	(1.082)
Derivative financial instruments	-	(72)
Rescission expenses	618	-
Other	302	396
	56.361	24.570

The details of deferred tax asset movement table as of 31 December 2016 and 2015 are stated below:

Deferred tax asset movement	1 January – 31 December 2016	1 January – 31 December 2015
Opening balance at 1 January	24.570	16.072
Charged to equity	(1.133)	307
Equity effect of changes in accounting policies (Note 2.2)	617	-
Deferred tax income	32.307	8.191
Closing balance at 31 December	56.361	24.570

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NOTE 23 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred Tax (Continued):

At the balance sheet date, the Company has unused tax losses of TRY 203.213 (2015: TRY 46.425) available for offset against future profits. A deferred tax asset has been recognized in respect of TRY 40.643 (2015: TRY 9.285) of such losses.

Expiration schedule of carried forward tax losses is as follows:

	31 December 2016	31 December 2015
Expiring in 2019	6.310	6.310
Expiring in 2020	40.115	40.115
Expiring in 2021	156.788	-
	203.213	46.425

Total charge for the year can be reconciled to the accounting profit as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
(Loss) / profit from continuing operations before tax	(192.920)	(102.764)
Effective tax rate	%20	%20
Calculated tax	38.584	20.553
Tax effects of:		
- non-deductible expenses	(5.329)	(1.335)
- unused tax losses and provisions not subject to deferred tax	-	(9.760)
- reversal of deferred tax for impairment of S.C Primex S.A. affiliate	-	(1.115)
- other	(948)	(152)
Tax income / (expense) recognised in the statement of profit or loss	32.307	8.191

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NOTE 24 - EARNINGS / LOSS PER SHARE

There were no dilutive equity instruments outstanding, that would require the calculation of separate diluted earnings per share. The calculation of basic earnings per share attributable to ordinary equity holders of the parent is as follows:

Earning / (loss) per share	1 January - 31 December 2016	1 January - 31 December 2015
Weighted average number of ordinary shares outstanding during the period (in full)	11.000.000.000	11.000.000.000
Net (loss) / profit for the year attributable to owners of the company/Group	(160.613)	(94.573)
Basic (loss) / earnings per share from continuing operations		
-thousands of ordinary shares (TRY)	(0,0146)	(0,0086)

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 Company 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 Company 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:

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.

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NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

Fair value estimation

The classification of the Company'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 2016, the Company does not have any private sector bonds which are quoted in "interbank bond market" (2015: None). 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".

NOTE 26 – DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	-	-	360	-
Short-term	-	-	360	-
Long-term	-	-	-	-
	-	-	360	-

The Company did not utilize foreign currency forward contracts. (31 December 2015: The Company utilized foreign currency forward contracts with the maturities as of 2015 in order to manage its risk on exchange rates differences for the twelve months following balance sheet date). At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Company is committed are as follows:

	31 December 2016	31 December 2015
Foreign currency forward contracts	-	149.643
	-	149.643

As of 31 December 2016, the Company has no foreign currency forward contracts. (31 December 2015: Company the fair value of the Company's foreign currency forward contracts is estimated to be approximately TRY 360. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. The fair value of the foreign currency forward contracts that are designated and effective as cash flow hedges amounting to TRY 360 has been accounted for under equity).

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

a) Capital risk management

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

b) 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 Company has is not exposed to credit risk concerning credit card receivables. The Company collects the instalments of its credit card sales according to the mutually agreed discount rates with the banks and financial institutions on the next day when the sale made within the scope of the credit card sales contracts made under the various banks and financial institutions. Other trade receivables, cheques and notes are due from dealer sales of air-conditioning, cash register and white goods. The Company has set up an effective control system on the dealers that are followed by credit risk management and each debtors have their own credit limit. The Company consider the past experience and collateral from dealers (Note 6).

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

b.1) Credit risk management

The table which reflects the Company's credit risk regarding the financial instruments as of 31 December 2016 is as follows:

	Receivables		
	Trade Receivables		
31 December 2016	Related Party	Other	Deposits at banks
The maximum credit risk exposure as of reporting date ^(*)	1,701	54,748	136,018
- Collateralised part of maximum credit risk ^(**)	-	16,985	-
A. Net carrying value of neither overdue nor impaired financial assets	1,701	45,457	136,018
B.Net carrying value of overdue but not impaired assets	-	4,417	-
C. Net carrying value of impaired assets			
- Overdue (gross carrying value)	-	4,874	-
- Provision for impairment (-)	-	(4,874)	-
- Amount of risk covered by guarantees	-	-	-
- Undue (gross carrying value)	-	-	-
- Provision for impairment (-)	-	-	-
- Amount of risk covered by guarantees	-	-	-
D. Off balance sheet risk items	-	-	-

^(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

^(**) Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

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

b.1) Credit risk management (continued)

The table which reflects the Company's credit risk regarding the financial instruments as of 31 December 2015 is as follows:

	Receivables		
	Trade Receivables		
31 December 2015	Related Party	Other	Deposits at banks
The maximum credit risk exposure as of reporting date ^(*)	2,008	49,195	290,264
- Collateralised part of maximum credit risk ^(**)	-	12,698	-
A. Net carrying value of neither overdue nor impaired financial assets	2,008	38,831	290,264
B. Net carrying value of overdue but not impaired assets	-	4,497	-
C. Net carrying value of impaired assets			
- Overdue (gross carrying value)	-	5,867	-
- Provision for impairment (-)	-	(5,867)	-
- Amount of risk covered by guarantees	-	-	-
- Undue (gross carrying value)	-	-	-
- Provision for impairment (-)	-	-	-
- Amount of risk covered by guarantees	-	-	-
D. Off balance sheet risk items	-	-	-

^(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

^(**) Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

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

b.1) Credit risk management (continued)

Explanations on the credit quality of financial assets

As of 31 December 2016 and 2015, banks which contain cash and cash equivalents that are included in the neither overdue nor impaired financial assets have mostly high credit ratings, whereas the counterparties included in trade receivables in the same category are customers / related parties with whom the Company has been in relation for a long time and did not have any significant collection problems.

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

	Trade Receivables	
	31 December 2016	31 December 2015
1-30 days overdue	2.362	-
1-3 months overdue	1.256	3.500
3-12 months overdue	799	997
1-5 years overdue	-	-
More than 5 years overdue	-	-
Total overdue receivables	4.417	4.497
Amount of risk covered by guarantees	1.540	1.441

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

b.2) Liquidity risk

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

The Company management holds adequate cash, credit commitment and credit card receivables that will meet the need for cash for recent future in order to manage its liquidity risk. In this context, the Company has credit commitment agreements (monetary and non-monetary) from banks amounting to TRY 1.977.665 that the Company can utilize whenever needed as of 31 December 2016 (2015: TRY 1.613.789).

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

31 December 2016				
Contractual maturities	Carrying value	Contractual cash flows (I+II+III)	Less than 3 months (I)	3 months to 1 year (II)
Non-derivative financial liabilities				1 - 5 years (III)
Trade payables	712.323	715.465	715.465	-
Related party	4.201	4.201	4.201	-
Third party	708.122	711.264	711.264	-
Other payables	1.198	1.198	1.198	-
Other	1.198	1.198	1.198	-
Total liabilities	713.521	716.663	716.663	-

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

b.2) Liquidity risk (continued)

31 December 2015

Contractual maturities	Carrying value	Contractual cash flows (I+II+III)	Less than 3 months (I)	3 months to 1 year (II)	1 - 5 years (III)
Non-derivative financial liabilities					
Trade payables	870.728	876.595	876.595	-	-
<i>Related party</i>	4.332	4.332	4.332	-	-
<i>Third party</i>	866.396	872.263	872.263	-	-
Other payables	1.014	1.014	1.014	-	-
<i>Other</i>	<i>1.014</i>	<i>1.014</i>	<i>1.014</i>	<i>-</i>	<i>-</i>
Total liabilities	871.742	877.609	877.609	-	-

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

Foreign Currency Risk

The Company predominantly purchases from domestic vendors with TRY as well as it is exposed to the limited foreign exchange risk.

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

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

Foreign Currency Position	31 December 2016				
	Equivalents of TRY	USD	Euro	GBP	Other
1. Trade receivable	798	173	50	-	109
2a. Monetary financial assets	11	2	1	-	-
2b. Non monetary financial assets	-	-	-	-	-
3. Other	18	5	-	-	-
4. CURRENT ASSETS	827	180	51	-	109
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	1
8. NON CURRENT ASSETS	-	-	-	-	1
9. TOTAL ASSETS	827	180	51	-	110
10. Trade payables	5.700	1.040	550	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	1.151	327	-	-	-
12b. Non monetary other liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	6.851	1.367	550	-	-
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	6.851	1.367	550	-	-
19. Net assets / liability position of off-balance derivative instruments (19a-19b)	-	-	-	-	-
19.a Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	-	-	-	-	-
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	-	-	-	-	-
20. Net foreign currency assets (liabilities) position (9-18)	(6.024)	(1.187)	(499)	-	110
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(6.042)	(1.187)	(499)	-	109
22. Total fair value of foreign currency hedge	-	-	-	-	-
23. The amount for the hedged portion foreign currency assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

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

Foreign Currency Position	31 December 2015				
	Equivalents of TRY	USD	Euro	GBP	Other
1. Trade receivable	1.916	658	-	-	109
2a. Monetary financial assets	61	8	12	-	-
2b. Non monetary financial assets	-	-	-	-	-
3. Other	9	3	-	-	-
4. CURRENT ASSETS	1.986	669	12	-	109
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	11	-	-	-	442
8. NON CURRENT ASSETS	11	-	-	-	442
9. TOTAL ASSETS	1.997	669	12	-	551
10. Trade payables	4.588	824	690	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	986	339	-	-	-
12b. Non monetary other liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	5.574	1.163	690	-	-
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	5.574	1.163	690	-	-
19. Net assets / liability position of off-balance derivative instruments (19a-19b)	-	-	-	-	-
19.a Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	-	-	-	-	-
19.b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	-	-	-	-	-
20. Net foreign currency assets (liabilities) position (9-18+19)	(3.577)	(494)	(678)	-	551
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(3.597)	(497)	(678)	-	109
22. Total fair value of foreign currency hedge	360	34	82	-	-
23. The amount for the hedged portion foreign currency assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

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

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

Foreign Currency Sensitivity Table	31 December 2016	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TRY		
1 - USD Dollars net assets/liabilities	(418)	418
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	(418)	418
In case 10% appreciation of EUR against TRY		
4- EUR net assets/liabilities	(185)	185
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(185)	185
In case 10% appreciation of other currency against TRY		
7- Other currency net assets/liabilities	1	(1)
8- Amount hedged for other currency risk (-)	-	-
9 - Other currency assets net effect (7+8)	1	(1)
TOTAL (3 + 6 + 9)	(602)	602

Foreign Currency Sensitivity Table	31 December 2015	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TRY		
1 - USD Dollars net assets/liabilities	(145)	145
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	(145)	145
In case 10% appreciation of EUR against TRY		
4 - EUR net assets/liabilities	(215)	215
5 - Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(215)	215
In case 10% appreciation of other currency against TRY		
7- Other currency net assets/liabilities	(1)	1
8- Amount hedged for other currency risk (-)	-	-
9 - Other currency assets net effect (7+8)	(1)	1
TOTAL (3 + 6 + 9)	(361)	361

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

Categories of financial instruments and fair values

31 December 2016	Loans and receivables	Derivative financial instruments	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	156.094	-	-	156.094	5
Trade receivables (including trade receivables from related parties)	56.449	-	-	56.449	6
Other receivables (including trade receivables from related parties)	556	-	-	556	7
Financial liabilities					
Trade payables (including trade payables to related parties)	-	-	712.323	712.323	6
Other payables (including trade payables to related parties)	-	-	1.198	1.198	7
31 December 2015					
Financial assets					
Cash and cash equivalents	305.285	-	-	305.285	5
Trade receivables (including trade receivables from related parties)	51.203	-	-	51.203	6
Other receivables (including trade receivables from related parties)	671	-	-	671	7
Derivative financial instruments	-	360	-	-	26
Financial liabilities					
Trade payables (including trade payables to related parties)	-	-	870.728	870.728	6
Other payables (including trade payables to related parties)	-	-	1.014	1.014	7

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

Fair value estimation:

Financial instruments measured at fair value in the balance sheet reclassified as flows:

Level 1: Quoted prices in markets for assets and liabilities

Level 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in market.

Level 3: Inputs for the assets and liabilities where observable market data cannot be determined.

Fair value hierarchy of financial assets and liabilities that are measured at fair value:

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial Assets /Financial Liabilities	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs and fair value
	31 December 2016	31 December 2015				
				Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.		
Foreign currency forward contracts	-	360	Level 2		-	-

NOTE 29 - EVENTS AFTER THE REPORTING PERIOD

The Company made store revision in İzmit between the balance sheet date and 13 February 2017. The related changes decreased the retail sales area of the Company by 862 m².



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