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**TRUST IN TEKNOSA  
HAS NEVER  
CHANGED!**

As we leave behind us 15 years in retail technology, we continue to meet Turkey's technology needs every day.

We continue to bring change to the industry by reaching our customers on every channel with the added value of our products and services.

## **In 15 Years TeknoSA**



**INVESTED  
TL 1 BILLION.**



**PROVIDED CONSUMERS WITH  
TECHNOLOGY WORTH  
TL 20 BILLION.**



**HAD 1.5 BILLION VISITORS  
TO OUR STORES AND ONLINE  
PLATFORM.**



**OFFERED CONSUMERS  
130 MILLION TECHNOLOGICAL  
PRODUCTS.**



**CONTRIBUTED TO THE ECONOMY BY PROVIDING EMPLOYMENT TO AROUND 15 THOUSAND PEOPLE.**



**TEKNOSA ACADEMY HAS PROVIDED 5 MILLION HOURS OF TRAINING TO ITS EMPLOYEES SINCE IT WAS FOUNDED.**



**12 THOUSAND PEOPLE GRADUATED FROM TEKNOSA ACADEMY, WHICH WAS FOUNDED IN 2005.**



**THE TURNOVER OF TEKNOSA.COM, WHICH WAS ESTABLISHED IN 2003, HAS INCREASED 15 FOLD SINCE 2010; THE TURNOVER SHARE IN STORE SALES HAS SURPASSED 5%.**

## TeknoSA at a Glance

STEADILY GROWING SINCE ITS ESTABLISHMENT, **TEKNOSA REMAINS THE LEADING TECHNOLOGY RETAIL COMPANY IN TURKEY.**

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

Steadily growing since its establishment, TeknoSA remains the leading technology retail company in Turkey with its large-scale presence, quality of service and product range.

Publicly traded and listed on Borsa İstanbul A.Ş. since 2012, TeknoSA aims to strengthen its leading position with its omni-channel strategy in the coming period.

With its 278 stores across Turkey, its online shopping platform teknosa.com and its after-sales support team, TeknoSA provides fast, reliable, seamless and high-quality services to its customers.

### **TL 3.2 BILLION TURNOVER**

**WITH TL 3.2 BILLION IN REVENUES, TEKNOSA HAS REINFORCED ITS LEADERSHIP OF THE TURKISH MARKET.**

### **35% MARKET SHARE**

**TEKNOSA HOLDS 35% MARKET SHARE IN THE TECHNOLOGY SUPERSTORES (TSS) CHANNEL AND 8% SHARE IN THE OVERALL MARKET.**

# THE LARGEST AND MOST WIDESPREAD TECHNOLOGY RETAIL CHAIN IN TURKEY



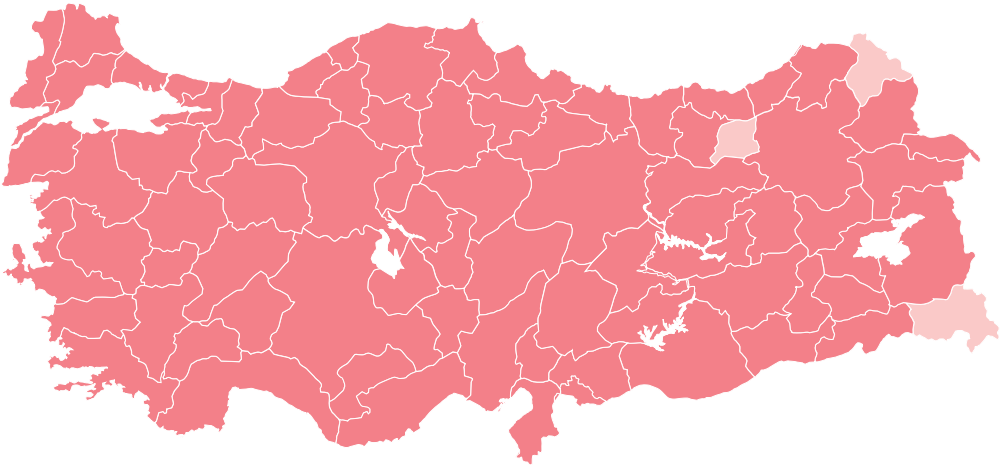
**172 THOUSAND M<sup>2</sup> OF NET RETAIL SPACE**



**278 STORES**



**78 CITIES**



## **STRONG BALANCE SHEET**

AS AT DECEMBER 31,  
2015, TEKNOSA HAS  
**TL 305 MILLION** NET  
CASH POSITION.

## **3,619 EMPLOYEES**

TEKNOSA HAS **3,619**  
**HIGHLY QUALIFIED**  
EMPLOYEES, TRAINED  
AT THE TEKNOSA  
ACADEMY.

## **COMPETITIVE PLATFORMS**

TEKNOSA MOBILE  
TEKNOFINANS  
DR. TEKNOLOG

## TeknoSA in Brief

# ADOPTING THE MOTTO OF “TECHNOLOGY FOR EVERYONE”, TEKNOSA CONTINUES TO TAKE THE LEAD WITH BOLD STEPS IN THE INDUSTRY.

Established in 2000 under Hacı Ömer Sabancı Holding A.Ş., TeknoSA İç ve Dış Ticaret A.Ş. (“TeknoSA” or the “Company”) 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, rapid growth and product diversity, as well as its dynamic, innovative and entrepreneurial company structure. The Company, as the pioneering and leading 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 growth.

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 white goods. TeknoSA is Turkey’s first and the most widespread technology retail chain. Launched with five stores in 2000, TeknoSA currently continues its operations with 278 stores nationwide, its online channel and its 3,619 employees.

The dealer network operations, is comprised of İklimSA, which operates in the acclimatization and white goods (fridges) industry under TeknoSA A.Ş umbrella.

Despite the challenging market conditions of the past year, TeknoSA continued its investments in 2015 to offer its customers new products and services. With TeknoSA Mobil, it became the first and only technology retail company in Turkey to provide mobile communication services. TeknoSA also introduced its own private brand products under the Preo brand. With TeknoFinans, launched in 2014, TeknoSA provides its customers additional consumer financing with installment terms of up to 36 months.

TeknoSA continued to grow in 2015, reaching TL 3.2 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, sales made from teknosa.com increased by about 50% in 2015 year-over-year. The share of e-commerce sales in total sales also increased.

As at December 31, 2015, TeknoSA has a net cash position of TL 305 million.

The Company expects the upward trend to be maintained in the market over the next five years, with the Company's growth rate surpassing that of the market. The Company projects about a 10% increase in store sales and aims at a 45% increase in online sales through teknosa.com in 2016. On the other hand, due to the downsizing of the operations of KlikSA and its conversion into an outlet channel of TeknoSA realized in parallel with the decision to continue expanding e-commerce operations through the omni-channel strategy, consolidated revenues for 2016 is expected at around TL 3.3 billion. The EBITDA margin for 2016 is targeted at 3.5% with investment of between TL 35-40 million.

#### NET SALES AREA (THOUSAND M<sup>2</sup>)

<b>2013</b>	<b>166</b>
<b>2014</b>	<b>171</b>
<b>2015</b>	<b>172</b>

# TEKNOSA **PRIORITIZES CUSTOMER SATISFACTION** WITH THE PRODUCT AND SERVICE RANGE IT OFFERS.

## Vision, Mission and Values



### VISION

TO ACT AS THE LEADING ELECTRONICS RETAILER IN THE REGION THROUGH “INNOVATIVE” AND “DISTINCTIVE” QUALIFIED PRODUCTS AND SERVICES.



### MISSION

TO ALWAYS GENERATE THE EXCEPTIONAL CUSTOMER EXPERIENCE WITH ITS WIDE SPREAD SALES CHANNELS, A DIVERSE PORTFOLIO OF HIGH QUALITY PRODUCTS AND SUPERIOR SERVICES.



### 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.



## QUALITY POLICY

OFFERING PRODUCTS AND SERVICES, TEKNOSA IS A COMPANY THAT PRIORITIZES CUSTOMER SATISFACTION, CONTINUOUSLY IMPROVING ITS RELATIONSHIPS WITH ITS SUPPLIERS AND PLACES IMPORTANCE ON THE DEVELOPMENT OF ITS EMPLOYEES, ENSURING THE SUSTAINABILITY AND EFFICIENCY OF ITS LEAN AND FAST-MOVING ORGANIZATION BY PRACTICING MODERN MANAGEMENT TECHNIQUES AND ALWAYS CONDUCTS ASSESSMENTS FOR FURTHER IMPROVEMENT WITH AN INNOVATIVE APPROACH.



## COMPLAINT MANAGEMENT POLICY

THE COMPANY IMPARTIALLY AND OBJECTIVELY CONSIDERS ALL COMPLAINTS AND REQUESTS RECEIVED THROUGH DIFFERENT INTERACTION CHANNELS IN ACCORDANCE WITH LAWS AND COMPANY REGULATIONS AND WITH RESPECT FOR PRIVACY; THEREFORE, IT CONTINUOUSLY IMPROVES ITS COMPLAINT MANAGEMENT SYSTEM AND INCREASES CUSTOMER SATISFACTION.

# TEKNOSA HAS BEEN LEADING THE INDUSTRY FOR THE PAST 15 YEARS, PIONEERING FOR THE SECTOR AND CREATING A DIFFERENCE WITH ITS BREAKTHROUGHS .

## Milestones

### 2000

- TeknoSA began operations with five retail stores.



### 2003

- The website [www.teknosa.com](http://www.teknosa.com) launched.

### 2005

- TeknoSA Academy was established.



### 2006

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

### 2007

- The 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.



### 2008

- The Orange Card loyalty program met with the customers.

## 2009

- "Exextra" stores were opened.

## 2010

- The organization was restructured.
- "Rapid growth" strategy was replaced by "sustainable and profitable growth".



## 2011

- The Turkish operations of the American electronics retailer Best Buy, were acquired.
- The number of Orange Card holders reached 2.3 million.

## 2012

- Company's shares began trading on the Istanbul Stock Exchange (BIST) on May 17, 2012.
- www.kliksa.com (the e-commerce store) was launched.
- TeknoSA won the prize for the "Emerging Market Retailer of the Year" at the "World Retail Awards".



## 2013

- The Company set its 2023 vision as becoming one of the top three electronics retailers in Europe.
- TeknoSA's mobile applications for Android and iOS devices were launched.

## 2014

- Click & Collect was initiated.
- Alternative financing options were offered to customers with TeknoFinans.
- TeknoSA was selected as the Best-Managed Company in Central and Eastern Europe in the "Consumer Goods/Retail" category by Euromoney magazine.



## 2015

- 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.
- Orange Card holders reached 5 million.

## Main Competitive Advantages

# TEKNOSA INCREASES CUSTOMER SATISFACTION WITH ITS CUSTOMER SERVICES PROGRAM AND **SERVICE-ORIENTED EMPLOYEE TRAINING.**

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.

### **MARKET LEADER**

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 reinforcing its leading position in the industry.

### **UNLIMITED CUSTOMER SATISFACTION**

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. 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 the Orange Card loyalty program, 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](http://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.



### SERVICES THAT ADD VALUE

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.

As part of Dr. Teknolog, services are provided in six different categories: Additional Warranty, Safety, In-Store Services, On-the-Phone Services, Online Services and On-site 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 technologies and value added services.





## Main Competitive Advantages

# BY PROVIDING ITS EMPLOYEES **TRAINING AND DEVELOPMENT OPPORTUNITIES**, TEKNOSA ACADEMY GUIDES THEM ON THEIR CAREER PATHS.

### **EXCLUSIVE OFFERS TO CUSTOMERS**

TeknoSA stores and teknoSA.com are visited by more than 220 million people annually. Meanwhile, the number of participants in Orange Card loyalty program, which offers customers customized services and discounts in line with their purchasing preferences, has reached 4.5 million. Within the frame of the Customer Relationship Management Project launched in 2008, TeknoSA has integrated the Orange Card loyalty program with mobile phones. Hence, the Company can interact with its customers not only at stores, but also via numerous means such as www.teknoSA.com and all incoming data can be consolidated in order to track customers more closely and offer them better personalized services.

The seamless experience on multiple channels provided by TeknoSA, as well as applications such as "buy online collect from the store" increase customer loyalty.

### **TEKNOSA ACADEMY**

TeknoSA prioritizes the qualitative training of its employees specialized in their fields in order to maximize both 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 Academy also efficiently utilizes online and mobile platforms, which are the necessities of the digital age.

### **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 2015, the Company has a sales area of over 172 thousand m<sup>2</sup> and a total warehouse space of 60 thousand m<sup>2</sup>, consisting of 30 thousand m<sup>2</sup> 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.



The logo for TEKNO SA, featuring the company name in a white sans-serif font inside a white rounded rectangle with a thin black border. The background of the entire image is a photograph of a large, brightly lit trade show booth for a home appliances company. The booth has a prominent orange overhead banner with the TEKNO SA logo and the word 'extra' in a stylized blue font. The floor is blue, and the displays are filled with various household items like blenders, coffee makers, and kitchenware, arranged on shelves and tables. The lighting is bright and even, highlighting the products and the organized layout of the booth.

TEKNO SA

The word 'extra' in a stylized, lowercase, blue font with a white outline, positioned below the main company logo on the orange banner.

extra

A large, semi-transparent orange rectangular box containing white text, overlaid on the lower right portion of the trade show booth photograph. The text describes the company's research and investment in technology and logistics in Turkey.

**AS THE COMPANY UNDERTAKING  
THE MOST RESEARCH IN  
THE INDUSTRY IN TURKEY,  
TEKNO SA CONTINUES ITS  
INVESTMENTS IN STRONG  
LOGISTICAL INFRASTRUCTURE  
AND EFFICIENT APPLICATION OF  
TECHNOLOGY.**

# TEKNOSA CONTINUED ITS INNOVATIONS WITH ITS VISION OF **PROVIDING EXCELLENT AND PERSONALIZED SERVICES** TO ITS CUSTOMERS.

## Developments in 2015

2015 was a year of new enterprises for TeknoSA, where new projects that made a difference were undertaken in line with the philosophy of being the "Sole Address for Technology". TeknoSA believes that the age of merely offering retail products has ended and aims at providing the product, the service and the solution together, thereby offering consumers a seamless and integrated shopping experience.

### TEKNOSA MOBIL

The mobile communication service, TeknoSA Mobil, which was launched at the end of February, is part of this objective. TeknoSA Mobil creates a difference with its tariffs and packages, as well as with its simplicity and clarity. It offers various services such as domestic and international calls, texting and data. TeknoSA Mobil provides an exclusive and holistic service to customers from a single point that reflects its "All Inclusive Technology" motto, thus enabling the establishment of a long-term customer relations.





### TEKNOSA PREO

In Turkey the smart phone penetration rate among mobile phone users is at around 50%. In Western Europe, this rate exceeds 66%. On the basis of this potential, TeknoSA began introducing special branded products in order to provide greater consumer value.

With the TeknoSA Preo P1 model smart phone and Pwatch smart watch introduced to the market in July 2015, advanced technology was offered to consumers at affordable prices. The Preo P2 and Pwatch2 also joined the TeknoSA Preo family at the end of 2015.

Whereas TeknoSA Preo P1 and P2 smart phones are powerful among others in terms of screen, camera and battery, TeknoSA Preo Pwatch and Pwatch2 smart watches are designed for people who enjoy a healthy and active life.

TeknoSA aims at enabling everyone in Turkey to enjoy smart products and wearable technologies that facilitate access to knowledge and that promise a better life in the age of the Internet of Things. In this context, TeknoSA plans to continue its work on special branded products in line with consumer trends.

### TAILOR-MADE STORE EXPERIENCE: "CONNECTED STORE"

Continuing its innovations with the vision of providing excellent and personalized services to customers, TeknoSA launched a retailing new era with its "Connected Store" project. A first for the industry, the project connects 278 stores, tens of thousands of products and 3,000 store employees. With this project, in which sales representatives are now better equipped with tablets, TeknoSA provides a special technology shopping and service experience. When the Orange Card holders visit stores, information such as their previous activities, their search history, the contents of their shopping baskets and how much time they spend in various departments along with their individual interests is synchronized. Sales representatives, therefore, are able to get to know the customers better and to provide more information on the specific products in which they are interested.

## TEKNOSA WAS AWARDED THE **ANCHOR STORE** PRIZE AS A RESULT OF THE “CONSUMERS’ FAVORITE BRAND IN SHOPPING MALLS” SURVEY.

### AWARDS AND ACHIEVEMENTS IN 2015:

#### Human Resources:

- TeknoSA received a mention in the “Sales Enablement” category at the “Excellence in Practice Awards 2014” known as the Oscars of Talent Management and Development, organized by the Association for Talent Development (ATD).
- TeknoSA Academy received the Golden Award for its “TeknoSA Coaching Programs and Mentoring System” in the “Best Advancements for Coaching & Mentoring” category at the Brandon Hall Excellence Awards.

#### E-Commerce:

- teknoSA.com was selected as the “Technology-Orientated E-Commerce Website of the Year” at the Webrazzi Awards.
- TeknoSA came first in the “Mobile Applications in Turkey” survey conducted by Monitise, a key European mobile technology company. TeknoSA received the highest score in both user experience and user interface categories.



#### Quality:

- TeknoSA was the recipient of the ‘Awareness in Internal Auditing Award’ in the Corporate Awareness category at the Awareness Awards organized by the Institute of Internal Auditing Turkey (TİDE).





#### IT:

- TeknoSA came first in the 'Video and Audio Systems' and 'Retail Chain' categories in the "Largest 500 Information Companies 2014".
- TeknoSA was awarded for its "Connected Stores" project that enables the integration of all stores, employees and products at the CIO 2015 Awards organized by IT magazine CIO.

#### Brand:

- According to the "Turkey's Lovemarks 2015" survey conducted by MediaCat and Ipsos, TeknoSA was named Turkey's most loved brand in the technology stores category.
- According to the annual survey carried out by the Turkish Association of Shopping Center Investors (AYD), TeknoSA was the "Consumers' Favorite Brand in Shopping Malls" in the technology stores category. It was also the recipient of the Anchor Store prize, given for the first time.
- TeknoSA was named "The Coolest Technology Store in Turkey" according to a survey of the youth market conducted by Roamler Turkey for Marketing Turkey magazine.



## Main Financial and Operational Indicators

WITH ITS **AGILE STRUCTURE, STRONG FINANCIAL POSITION AND INNOVATIVE SERVICES**, TEKNOSA IS CONSISTENTLY THE PRIMARY ADDRESS FOR TECHNOLOGY RETAILING IN TURKEY.

<b>Financial Indicators (TL million)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Net Sales	2,957	3,018	<b>3,167</b>
Total Assets	1,056	949	<b>1,031</b>
Total Shareholders' Equity	253	188	<b>77</b>
EBITDA	133	82	<b>40</b>
Comparable EBITDA	133	82	<b>68**</b>
Net Profit/(Losses)	57	-20	<b>-95</b>
Comparable Net Profit/(Losses)	57	-10*	<b>-27***</b>
<b>Operational Indicators</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Retail Space (thousand m <sup>2</sup> )	166	171	<b>172</b>
Number of Stores	294	291	<b>278</b>
Number of Visitors (million)	107	101	<b>89</b>
Number of Customers (million)	8.5	7.5	<b>6.9</b>
Average Basket Size (TL)	308	349	<b>375</b>
E-Commerce Sales (TL million)	186	303	<b>437</b>
<b>Financial Ratios (%)</b>		<b>2014</b>	<b>2015</b>
Current Ratio (Liquid Assets/Short Term Liabilities)		1.01	<b>0.90</b>
Liquidity Ratio (Liquid Assets-Stocks/Short Term Liabilities)		0.31	<b>0.39</b>
Total Liabilities/Shareholders' Equity		4.04	12.48
Total Liabilities/Total Assets		0.80	0.93

\* 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.



### NET SALES (TL MILLION)

2013	2,957
2014	3,018
2015	3,167

Net sales of TeknoSA in 2015 was **TL 3,167 million**.

### E-COMMERCE SALES (TL MILLION)

2013	186
2014	303
2015	437

The e-commerce sales of TeknoSA in 2015 (teknoSA.com + klikSA.com) increased by 44% year-over-year and reached to **TL 437 million** in 2015.

### SALES SPACE (THOUSAND M<sup>2</sup>)

2013	166
2014	171
2015	172

TeknoSA's sales area increased to **172 thousand m<sup>2</sup>** in 2015.

### AVERAGE SHOPPING BASKET (TL)

2013	308
2014	349
2015	375

The average shopping basket at TeknoSA in 2015 was **TL 375** on an increase of 7% when compared to the previous year.

## Message from the Chairman of the Board of Directors

# TEKNOSA PROVED ITS DIFFERENCE BY TRANSFORMING FROM A TRADITIONAL RETAILER THAT OFFERS PRODUCTS INTO A “SERVICE PROVIDER”.

Dear Stakeholders,

While we present to you the activities and the financial statements of TeknoSA İç ve Dış Ticaret Anonim Şirketi, pertaining to the period January 1, 2015-December 31, 2015, we would like to take the opportunity to thank all of you for honoring our General Meeting.

Welcome to the Annual General Assembly Meeting of TeknoSA.

Before examining the details of our operations and returns in 2015, I would like to discuss Turkey's economic developments, as well as those worldwide and other factors that impacted our industry.

Among the major developments of 2015 was curbed growth due to prevailing low domestic demand and property prices, as well as the deflationary pressure arising from the absence of growth.

Those countries where expansionary monetary policies “positively” supported the economies and central banks of developed markets, and reduced deflationary risk were the US and the UK.

The US economy closed the year of 2014 on a 2.4% growth rate and saw similar growth in 2015. Growth, which firmied in the second quarter of the year, is mostly a result of consumption-related spending supported by expectations of “sustainable” growth.

The Euro zone also witnessed a relative improvement compared to previous years. And thus despite prevailing downside risks, its growth rate is expected at 1.6%.

On the other hand, 2015 was a year that highlighted a generally poor economic climate among developing markets. There was a slowdown in the economy of China, the world's second largest economy. China's growth rate for 2015 is expected at 6.8%, down from the 7.4% of 2014.

In addition to China, Russia was another country with notably weakening economic activity. The Russian economy, which was affected in various areas by Western sanctions due to the Ukrainian crisis, shrank by 2.2% in the first quarter of 2015, by 4.6% in the second quarter, and by 4.1% in the third quarter.

2015 was also a challenging year for the Turkish economy. The main factor on the global front was the decision of the US Federal Reserve System (FED) to increase interest rates after a nine-year hiatus. This decision caused capital outflows from developing economies, whereby in turn currencies weakened sharply against the US Dollar.





**WITH TEKNOSA MOBIL, WE  
ARE THE FIRST AND ONLY  
TECHNOLOGY RETAIL COMPANY  
IN TURKEY TO PROVIDE MOBILE  
COMMUNICATION SERVICES.**

## Message from the Chairman of the Board of Directors

OVER THE NEXT FIVE YEARS, WE AIM AT GROWTH ABOVE THAT OF THE MARKET AVERAGE. THE **OMNI-CHANNEL STRATEGY** WILL BE ONE OF THE KEY ELEMENTS OF OUR GROWTH.

In addition to these adverse conditions in the global environment, uncertainty created by the two election cycles, regional geopolitical risks and escalating terrorism were on the agenda for the Turkish economy in 2015.

Despite these developments, the growth rate exhibited a persistent trend. The Turkish economy, which grew by 3.4% in the first nine months of the year, is expected to close 2015 with a growth rate of more than 3%. In particular, the improvements in agriculture and the increase in domestic demand in the third quarter were influential in achieving this.

The market for consumer technology products in Turkey, on the other hand, continued its growth above the world average due to the impact of the young population and the potential offered by new technologies. In 2015, the total size of the market reached TL 40 billion.

The regulations with regard to reducing the current account deficit, exchange rate fluctuations and low levels of consumer confidence spelt a shallow growth trajectory for the technology retail industry. Due to the legal regulations that limited credit card installments for purchases and completely removed this option for mobile phones, there had been a shift to different channels, especially

in 2014. The industry has produced solutions to reclaim the lost share and began to regain its position.

During this period, which included challenging political and economic dynamics both domestically and globally, TeknoSA maintained its value creating initiatives, as well as its investments. TeknoSA achieved 5% growth when compared to 2014 on a revenue of TL 3.2 billion, strengthening its leadership of the Turkish market.

At the summit for the past 15 years with industry-leading achievements, TeknoSA confirmed its difference by transforming from a traditional retailer that offers products into a "service provider". In this context, the TeknoFinans service, which was introduced in 2014 to provide our customers alternative consumer financing, continued to increase its share of turnover in 2015. With the TeknoSA Mobile service, which was launched in February 2015, TeknoSA became the first and only technology retail company in Turkey to provide mobile communication services with its own brand. In addition, within the framework of the omni-channel growth strategy, TeknoSA continued to implement leading applications that offer consumers a seamless experience.



Whereas the focus at the stores were in investments for consumer experience and productivity-oriented work, the integration of digital and physical channels was strengthened. The e-commerce platform of TeknoSA, teknosa.com, continued its steady growth and realized around a 50% growth when compared to 2014. While the use of mobile applications by consumers increased, the share of mobile sales in e-commerce rose to 15%.

Currently, economic expectations point to 2016 being once again a challenging, yet more positive year. As the leading technology retailer in Turkey, TeknoSA will continue to provide fast, quality and seamless services to its customers with its 278 stores, its digital platforms and its expert staff. 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. Over the next five years, we aim to achieve a grow rate above that of the market. Our omni-channel strategy will be one of the key elements of our growth.

With its agile structure, strong financial position 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 2016 and extend my gratitude to all our stakeholders who have contributed to the past, current and ongoing leadership of TeknoSA.

Respectfully yours,

**HALUK DİNÇER**  
Chairman of the Board of Directors

## Board of Directors\*



**Haluk Dinçer**  
Chairman

Haluk Dinçer was appointed as President of Retail and Insurance at Sabancı Holding in March 2011. He served as President of Retail between 2007-2011, President of Retail and Food between 2004-2007 and President of Food between 2002-2004. Dinçer, who joined Sabancı Group in 1995, assumed important leadership roles in the automotive, food and retail companies of the Group.

Haluk Dinçer is a Member of the B20 Turkey Executive Committee and a Member of the International Advisory Council of the Brookings Institution based at Washington, DC, USA. Dinçer previously served as Chairman of the Board at TÜSİAD and as President of the Foreign Economic Relations Board of Turkey (DEİK) for three terms.

Haluk Dinçer received his BSc degree in Mechanical Engineering and his MBA from the University of Michigan.

Haluk Dinçer is married with two children.



**Temel Cüneyt Evrigen**  
Vice Chairman

Temel Cüneyt Evrigen 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. Evrigen is currently an Executive Member of the Professional Education and Consultancy division at Sabancı University. Between 2005 and April 2012, he was a Board Member at TeknoSA. And as of April 2012, he was appointed as Vice Chairman of TeknoSA.

\* Members of the TeknoSA Board of Directors are elected for three-year periods. The current Board of Directors began its term in March 2015. From among the Board of Directors members, who were elected at the General Assembly held on March 20, 2015, Muhterem Kaan Terzioğlu, who was elected as Independent Member of the Board of Directors resigned on March 27, 2015 and Osman Mehmet Sindel, who was elected as Member of the Board of Directors resigned on June 30, 2015. Aydın Günter, who was appointed in Muhterem Kaan Terzioğlu's stead to carry out his predecessor's term resigned on April 17, 2015; Atıl Saryal was appointed in his stead.



**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.



**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 Akıl Limanı Mindport Education Services. Mr. Babüroğlu has been a Board Member at ETİ Gıda Sanayi ve Ticaret A.Ş. since 2006 and an Independent Board Member at TeknoSA since April 2012.



**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 TÜSIAD.

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.

## Message from the General Manager

**IN 15 YEARS, TEKNOSA HAS  
OFFERED CONSUMERS 130  
MILLION TECHNOLOGICAL  
PRODUCTS AND WELCOMED  
1.5 BILLION VISITORS.**

Dear Stakeholders,

We are in our fifteenth year in our journey that began in the year 2000 to make technology accessible to everyone. Our organization also became a milestone in organized technology retail in Turkey. Over the past fifteen years, we have led the way in many fields and continued to be the pioneer of innovation in the industry.

We are happy to have provided 130 million technology products since 2000. As the reference point of technology products in Turkey, we have welcomed 1.5 billion visitors to our stores and through our digital channels. Over a 15 year period, we have provided employment to around 15 thousand people and we have trained qualified human resources thanks to the TeknoSA Academy, itself a first for the industry.

Long the leader of the technology retail industry in Turkey, we continue our efforts to create more added value for our country, for the environment and for all our stakeholders and to pioneer Turkey's digital transformation and increase access to technology.

Despite uncertainty arising from economic developments in Turkey and in the world, the low levels of the consumer confidence index and the effects of the rise in the exchange rate on demand

and costs, TeknoSA completed the year of 2015 with a TRY 3.2 billion turnover and 5% growth rate.

With our aim of being the sole address for products, services and solutions in technology and of providing seamless services to our customers in every channel, we have made significant breakthroughs in the industry over the past year.

During the first quarter of the year, we launched mobile communication services under the brand of TeknoSA Mobil. TeknoSA Mobil creates a difference with its tariffs and packages as well as with its simplicity and clarity. We have, thus, established a close and long-term relationship with our customers who purchase a TeknoSA Mobil line. TeknoSA Mobil users are able to reach the wide variety of TeknoSA products and smart phone services from a single access point and with special advantages.

We are aware of our responsibility with regard to enabling everyone in Turkey to have access to smart products that facilitate access to knowledge and that promise a better life in the age of Internet of Things. In this respect, in addition to the wide range of products we provide, we began offering our own brand of smart products as of July. The Preo range of products that offer advanced technology at affordable prices were met with great interest from consumers.





**IN 15 YEARS, WE HAVE PROVIDED EMPLOYMENT TO AROUND 15 THOUSAND PEOPLE AND HAVE TRAINED QUALIFIED HUMAN RESOURCES THANKS TO THE TEKNOSA ACADEMY, ITSELF A FIRST FOR THE INDUSTRY.**

## Message from the General Manager

# WE TAKE ADVANTAGE OF BOTH OUR WIDESPREAD STORE NETWORK AND OUR **STRENGTH ON DIGITAL PLATFORMS** WITH THE OMNI- CHANNEL RETAILING MODEL.

With our "Connected Store" project that links 278 stores, tens of thousands of products and three thousand employees, which was launched in the last quarter of the year, we tailored a store experience special to customers. Through their tablets, our sales representatives are able to get to know their customers better and therefore to provide them specialized services and more information on the products they need. Our "Connected Store" project, which will give us a competitive edge in both the short and the long term, was awarded at CIO 2015, which is organized by IT magazine CIO.

We also caught the tailwind of a solid trend with our omni-channel strategy that we have been focusing on in recent years. In this regard, we take advantage of our widespread stores and our strength in digital platforms.

As is the case over the world, the share of e-commerce in total commercial activities continues to rise daily. Currently, teknosa.com is our bestselling retail platform. It grew by 50% in 2015 and remained the number one choice for customers' technology shopping.

As part of our omni-channel strategy, we implemented our 'Click & Collect' program last year in order to enable customers to get the products they ordered faster at our stores. Today, 15 out of 100 customers who purchase products online collect their orders from one of our stores within 15 to 20 minutes. We observe this rate increasing on a daily basis.

The share of mobile is also increasing within e-commerce. Today, 50% of our online traffic is through mobile platforms. Our applications and mobile site generate 15% of our e-commerce revenue. Our mobile applications were downloaded by 1.5 million users; this equates to 1.5 million personalized stores for us.

Our continuous leadership over the past 15 years, the large-scale presence of our stores, our annual average of 220 million customers, as well as our 5 million Orange Card customers and our constant communication with more than 2.5 million followers on social media provide us with significant know-how. These factors together spell constant agility. It enables us to develop new products and services in accordance with the needs and tendencies of our customers.





One of these new services involves the consumer financing models we developed in 2014 under “TeknoFinans”, which continued its strong growth. We started providing consumers loans that are available for up to 36 months together with the banks that we have a business partnership with. In 2015, over 110 thousand customers benefited from this loan option, whose application procedures can be completed within 10 minutes at our stores without needing to visit a bank branch.

We have brought together our value-added technology services that range from installation to technical support and safety, from which customers benefit at our stores, over the phone, at home or at work, through the operations of Dr. Teknolog. We aim to support our customers at every stage with solutions that bring technology to life, as well as to increase the lifetime of technology items.

İklimSA, our dealership channel operating under the roof of TeknoSA with the thirty-year expertise of Sabancı Holding in the acclimatization industry also increased its success, achieving a 30% increase in revenue, despite challenging market conditions.

Providing added value in the field of technology for the past 15 years, our Company also prioritizes social responsibility projects in order for everyone to have access to technology. To this date, 15 thousand women have participated in our free-of-charge computer courses that are organized as part of our ‘Technology for Women’ project, which has been running since 2007. And as in past years, we also continue our technology product donations to non-governmental organizations and educational institutions.

We have been the Technology Supplier for National Teams since 2007 as a result of our agreement with the Turkish Football Federation. In parallel to the increasing synergy between sports and technology, we co-organize various events. We will be enjoying Euro 2016 together with the team and the rest of the Turkish public.

## Message from the General Manager

# AS TEKNOSA, WE WILL CONTINUE TO **MAKE A DIFFERENCE IN TECHNOLOGY RETAILING** AND REINFORCE OUR LEADERSHIP.

Our most treasured asset is people. Only when consumers appreciate the efforts of our more than 3,600 employees at TeknoSA, we can talk about sustainable success. Our customers lifted us to great places this year as well. According to a survey carried out by the Turkish Association of Shopping Center Investors (AYD) and Barem Research, we were once again selected as the "Consumers' Favorite Brand at Shopping Malls" in the technology stores category. We were also the recipient of the Anchor Store prize awarded for the first time by the AYD. We were named "The Coolest Technology Store in Turkey" according to a survey conducted by Roamler Turkey for Marketing Turkey magazine. In addition, according to the "Turkey's Lovemarks 2015" survey conducted by MediaCat and Ipsos, we are Turkey's most loved technology store.

Thanks to the dynamism of Turkey, its young population and their interest in technology, the Consumer Technology Products market has sustained double digit annual growth. Indeed, we expect the market to deliver a similar performance in 2016 as well.

Retail industry innovations will increase in parallel to the advancements in technology and new consumption habits in 2016. As the industry leader, we will continuously renew ourselves within the scope of the business dynamics of the digital age and changing consumer behavior. Our customers now visit our stores not only "to buy" but also "to do" and "to experience". As we develop our digital platforms, we will make experience-oriented investments in our stores.

We are, therefore, hopeful for our industry in 2016. As TeknoSA, we will continue to make a difference in technology retailing with our 278 stores and our online and mobile sales platforms, reinforcing our leadership.

I extend my thanks to our employees, customers, business partners and shareholders, who contributed to our successful operations in 2015 and who made us who we are today. It is my firm hope that in 2016 our success will increasingly continue and that it will be a year in which, together, we deliver a strong performance.

Respectfully yours,

**BÜLENT GÜRÇAN**  
General Manager

**%50'YE VARAN  
TURUNCU  
İNDİRİM  
BUGÜNE ÖZEL  
%50'YE  
VARAN İNDİRİM!**

**TEKNOSA**

**%50'YE  
VARAN İNDİRİM!**

**%50'YE  
TURUNCU  
İNDİRİM!**

**CEP TELEFONU**

**CEP TELEFONU**

**IN 2015, 15 OUT OF 100  
CUSTOMERS WHO PURCHASED  
PRODUCTS ON TEKNOSA.COM  
COLLECTED THEIR ORDERS FROM  
ONE OF OUR STORES.**

## Executive Committee



**Bülent Gürcan**  
General Manager

Bülent Gürcan graduated from İstanbul 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.



**Z. Korhan Bilek**  
Finance Director

Z. Korhan Bilek graduated from Boğaziçi University, Department of Electrical and Electronics Engineering in 1998. In 2000, he received an MBA degree from the University of Rochester (USA).

Mr. Bilek began his professional career as an Analyst at the Federal Reserve Bank of Cleveland. He later worked as Expert Analyst at Ak Yatırım Menkul Değerler A.Ş. and as Specialist, Manager and Director at Sabancı Holding Retail and Insurance Group respectively.

Korhan Bilek speaks English and has been holding the position of Director of Finance at TeknoSA since 2013.



**Aysegül Bahçivanoğlu**  
Marketing Director

Aysegül 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.

Aysegül 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.



**Cemal Cem Işık**  
Sales Director

Cem Işık graduated from the Middle East Technical University, Department of Geological Engineering in 2002 and received his Executive MBA from Sabancı University in 2014.

He began his professional career as a Sales Consultant at Circuit City in the US and continued to work there for six years as Department Supervisor, Department Manager, Operations Manager, After Sales Support Project Manager, Store Manager and Regional Manager respectively. Subsequently, he served as Operations Manager and Store Manager at Lowe's Home Improvement in the US. After joining TeknoSA in 2009, Mr. Işık worked as Big Stores Sales Manager and Sales Manager for the Black Sea, East Marmara Regions and Marketing Director respectively.

Cem Işık speaks English and has been working as the Director of Sales at TeknoSA since October 1, 2015.



**Asena Yalınız**  
Director of Human Resources

Asena Yalınız graduated from the Middle East Technical University, Department of Business Administration in 1990.

She began her professional career in 1988 as Research Assistant at ESDA. Subsequently, she became the Human Resources Manager at Çayeli Bakır İşletmeleri A.Ş., and Director of Human Resources at Continent Alışveriş Merkezleri A.Ş. and TeknoSA respectively. She was appointed Director of Human Resources at CarrefourSA on August 1, 2013.

Asena Yalınız has also been Acting Director of Human Resources at TeknoSA since August 1, 2015.



## Executive Committee



**Seçil Özekin Erdoğan**  
Strategy and Business  
Development Director

Seçil Özekin Erdoğan graduated from Boğaziçi University, Department of Business Administration in 1995. She later received an MBA degree from the University of Rochester, William E. Simon Graduate School of Business in 1997.

After beginning her professional career in 1998 as Assistant Strategic Planning Expert at Şişecam, Ms. Erdoğan worked as Finance and Planning Specialist at Sabancı Holding Food and Retail Group and Financial Planning and Analysis Manager at GıdaSA respectively. Seçil Özekin Erdoğan, who joined TeknoSA in 2007 worked as Project Development Manager and Director of Categories.

Seçil Özekin Erdoğan speaks English and German and has been working as the Director of Strategy and Business Development at TeknoSA since October 1, 2015.



**Kayhan Ozar**  
Director of Categories

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 Categories at TeknoSA since October 13, 2015.



**Önder Kaplancık**  
Director of Information Systems

Önder Kaplancık graduated from Boğaziçi University, Department of Computer Engineering in 1992 and received his Executive MBA from Koc University in 1999.

He began his professional career in 1993 at Arçelik as an IT Analyst. He later worked in the Department of Consumer Loans and Card Services at Koçfinans and as Information Systems Deputy Manager and R&D Manager at PİLSA respectively.

Önder Kaplancık worked at TeknoSA between 2000-2013 and has been working as the Director of Information Systems at CarrefourSA since August 1, 2013.

In addition to his position at CarrefourSA, Kaplancık also assumed the position of Acting Director of Information Systems at TeknoSA on October 1, 2015.



**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 acting as the Director of Telecom Services and Business Development at TeknoSA since October 1, 2015.



**Tansu Öztoran**  
İklimSA Director of Business Unit

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

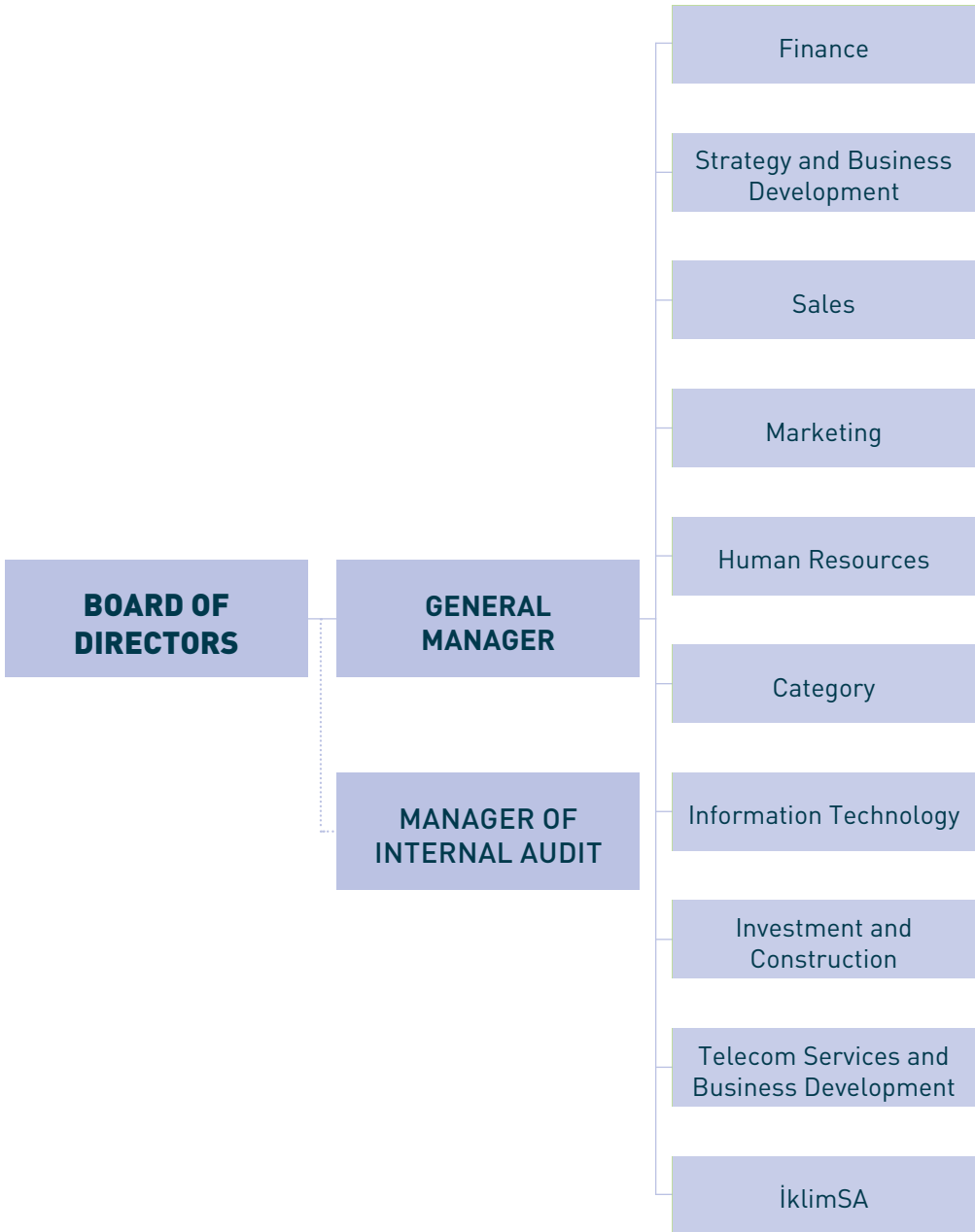
Öztoran began his professional career as Product Manager at Motosan in 1990. He later worked as Post Sales Engineer at Kurtteks A.Ş. and as Trade Specialist at Otokar. At ToyotaSA, where he spent 11 years, he worked as Marketing and Sales Training Specialist, Sales Training Chief, Direct Sales Chief, 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.

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

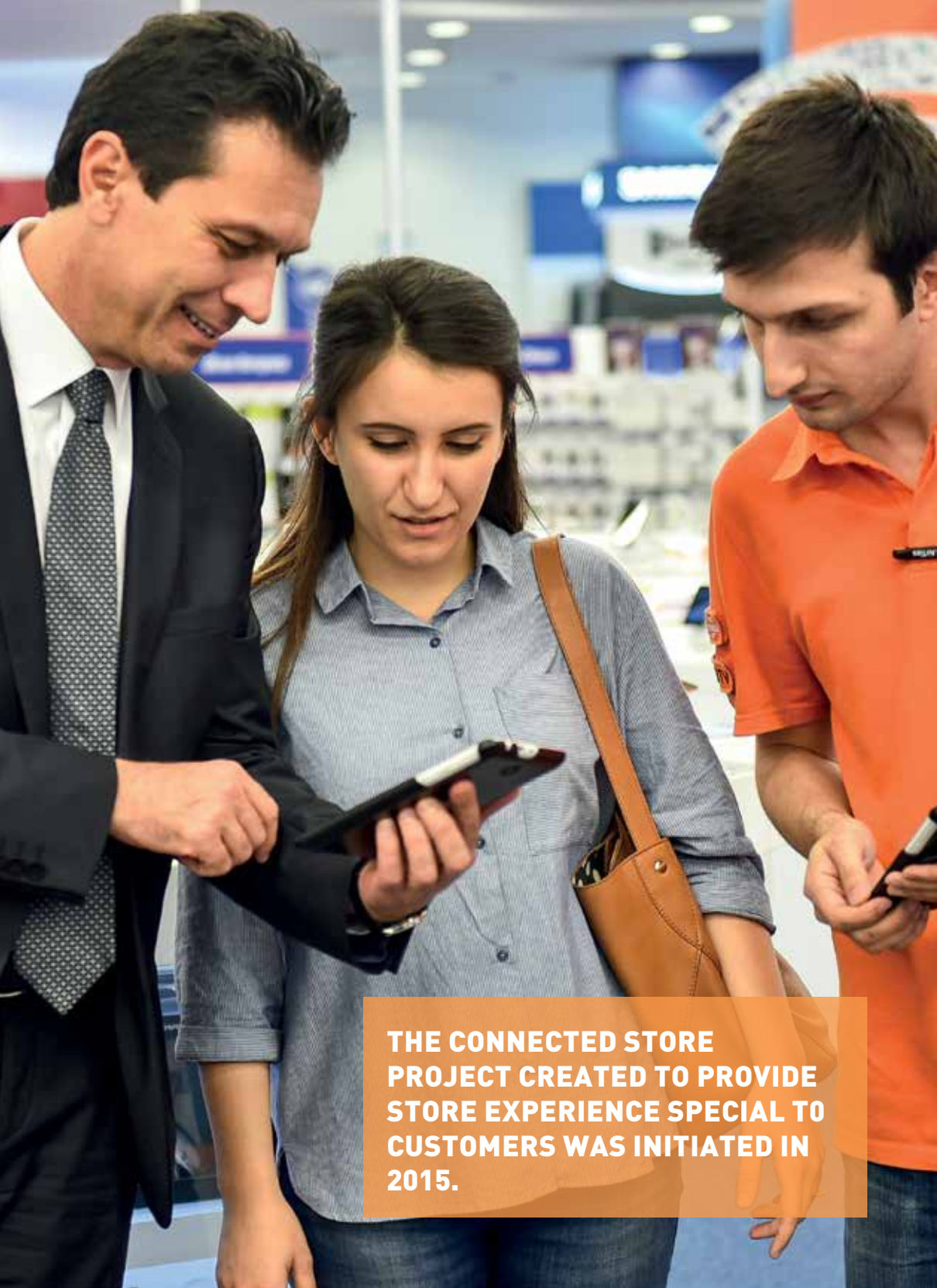
### EXECUTIVE COMMITTEE MEMBERS WHO RESIGNED FROM THEIR DUTIES IN THE PERIOD:

- Necil Oyman – General Manager / March 31, 2015
- Revna Besler – Human Resources Director / July 31, 2015
- Ahmet Asaf Ozan – Sales Director (South) / September 30, 2015
- Tunc Senyol – IT Director / September 30, 2015

# Organisational Chart







**THE CONNECTED STORE  
PROJECT CREATED TO PROVIDE  
STORE EXPERIENCE SPECIAL TO  
CUSTOMERS WAS INITIATED IN  
2015.**

# TEKNOSA PROVIDES SERVICES WITH APPROXIMATELY 300 STORES LOCATED NATIONWIDE.

**2015  
Operations**



## RETAIL SALES

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

## Steady Growth for 15 Years

TeknoSA began its operations with five stores in 2000. Today, it provides seamless services to consumers with its Turkey wide store network and on the teknosa.com online store. TeknoSA grew steadily within a short span of time, and has continuously consolidated its leadership since its establishment. Having started out with only 163 employees, today Company employs 3,619 people all of whom are experts in their relative fields and the Company continues to improve both its service quality and product portfolio.

## Retail Chain with Highest Penetration in Turkey

With the motto of "Technology for Everyone" and with a widespread store network, TeknoSA provides consumers thousands of technology products from hundreds of international brands from electronic items to communication devices and from personal care to household appliances as well as offering mobile communication services with TeknoSA Mobil and its special private label products under the Preo label. With the ability of opening diverse store types customized to different regions and specific demands, TeknoSA steps beyond standard store concepts and meets its customers via multiple store formats. With their unique designs and a large variety of products from distinguished global brands, TeknoSA stores adopt a futuristic style. Large scale TeknoSA Extra and Exextra stores, reflect the Company's innovative approach.



### 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](http://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, their orange points 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.

The online chat application, which was launched in 2014 on [teknosa.com](http://teknosa.com), directs customers seeking a solution without having to call the Call Center. With the new customer tracking system initiated in May 2015, customers who get in touch with the Call Center are able to follow up on 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 30year 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 191 authorized dealerships in 43 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.

## TEKNOSA CONTINUED TO **INVEST IN STORES AND ONLINE CHANNELS** AS PART OF ITS 2015 OBJECTIVES.

### **E-COMMERCE**

The rise of TeknoSA in terms of workforce, technology investment and resource transfer in e-commerce in 2014 continued in 2015. The Company pursued an e-commerce strategy with the aim of increasing its market share both in the electronic retail market and in the rapidly developing e-commerce market. In accordance with this strategy, thanks to the investments made in the current website [www.teknosa.com](http://www.teknosa.com), an increase in business volume was achieved.

Aside from its standard, Extra and Exxtra store formats, TeknoSA views [www.teknosa.com](http://www.teknosa.com) as its fourth store format, the main purpose of which is to organize the link between the online store and other stores.

Indeed, [www.teknosa.com](http://www.teknosa.com) has the dual function of facilitating stock control and making all technology products available to customers in regions where only small scale stores exist.

In line with the rapid global 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 15%. 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](http://teknosa.com), which grew by approximately 50% in 2014, increased by 35% in 2015. In addition to [teknosa.com](http://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 reached 50% in 2015.

In addition, the number of users of IOS and Android applications reached 1.5 million. The increase in smart phone and product penetration, meanwhile, is positively affecting the use of mobile applications.





**THE TRAFFIC RECEIVED  
THROUGH MOBILE PLATFORMS  
INCREASED TO 50% OF TOTAL  
E-COMMERCE TRAFFIC.**

## TEKNOSA MOBIL USERS HAVE **VARIOUS ADVANTAGES** WHEN THEY PURCHASE TECHNOLOGICAL PRODUCTS AT TEKNOSA.

### INVESTMENTS

The most widespread and accessible technology retailer in Turkey, TeknoSA continued to invest in its stores and online channels in accordance with its 2015 objectives.

TeknoSA continues to steadily grow in its area of operation while taking advantage of inorganic growth opportunities in the past years. In 2007 the Company acquired Uzelli music stores and the Turkish operations of Electronic Partner, a Germany based company that was the first foreign consumer electronics retailer to enter the Turkish market. TeknoSA also acquired the Turkey operations of American Best Buy in 2011.

Forecasting the continuation of the consolidation in the technology retailing sector, our Company will continue to take advantage of the possible opportunities of mergers and acquisitions in the upcoming period with its strong cash position.

### PRODUCTS AND SERVICES

#### TeknoSA Mobil

Despite the challenging market conditions in 2015, TeknoSA continued its enterprises within the scope of its strategy to provide new products and services to its customers, launching TeknoSA Mobil in February. TeknoSA is the first and only technology retail company in Turkey to provide mobile communication services. Customers who purchase a TeknoSA Mobil line benefit from special advantages and opportunities when purchasing technology products.

#### TeknoSA Preo

Specially branded smart products by TeknoSA were first introduced to customers in July. Following TeknoSA Preo P1 model smart phone and Pwatch smart watch, the more developed Preo P2 and Pwatch2 models joined the TeknoSA Preo family in late 2015.



### Connected Store

TeknoSA launched its "Connected Store" project in 2015. A first in the industry, the project connects 278 stores, tens of thousands of products and three thousand store employees. Through their tablets, sales representatives are able to get to know our customers better and therefore provide more information on the products in which they are interested. The "Connected Store" project, which provides a personalized store experience, was awarded a prize at CIO 2015 which is organized by IT magazine CIO.

### TeknoFinans

TeknoSA offers different financing models in line with the needs and expectations of consumers. All consumer financing models were brought under the umbrella of "TeknoFinans" in 2015 and were grouped into two: with and without credit card. In addition to installments applied through traditional POS machines, loans of up to 36 months that can be instantly used at stores are offered to customers as a solution to the limitations on installments. Consumers are able to complete the application procedures within 10 minutes at our stores without visiting a bank branch. More than 110 thousand people benefited from these loans in 2015. Thus, TeknoSA registered the consumer loan volume of a mid-sized bank.

### Dr. Teknolog

TeknoSA brought together its wide-ranging technology services that span installation, technical support and safety, from which customers can benefit at our stores, over the phone and at home or at work under the roof of Dr. Teknolog.

As part of Dr. Teknolog, services are provided in six different categories: Additional Warranty, Safety, In-Store Services, On-the-Phone Services, Online Services and On-site Services.





# TEKNOSA CARRIES OUT **SOCIAL RESPONSIBILITY PROJECTS IN SEVERAL FIELDS** RANGING FROM EDUCATION TO SPORTS, THE ENVIRONMENT AND THE ARTS.

## Sustainability



### 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 from day one.

TeknoSA Academy believes that integrating technology and education is important. In line with its principles of "Educational and Developmental Sustainability" and "Equal Education Opportunity", the Academy continues to enrich its digital training and development opportunities. The TeknoSA Academy online portal, in a new design compatible with mobile technologies, launched in the summer of 2014. The new collection provides access to resources such as e-trainings, videos, podcasts, digital simulations, virtual classrooms, education games, e-journals and digital reading material. In addition, TeknoSA employees may share their videos with other employees through the inter-



company video sharing platform, "TeknoTube." In-house sharing was also promoted by organizing various games on the platform, which has over 750 video resources. The platform "SosyaLiG," designed as a social media platform supporting peer learning has become another resource to enrich the social learning experience. The mobile application "CepTE Akademi," numerous digital resources and development platforms on [www.teknosaakademi.com](http://www.teknosaakademi.com) are accessible via smart devices.

## **ENVIRONMENT**

Adhering to its responsibilities as the leader of the sector, TeknoSA acts as a pioneer by carrying out educational activities to raise the younger generation's awareness of technology and the environment. TeknoSA continues its activities with regard to recycling and energy efficiency and sets an example in the industry with its efforts in electronic waste collection, use of eco-friendly bags and energy efficiency efforts.

Since 2003, TeknoSA has been collecting electronic waste and batteries either at disposal stations located in TeknoSA stores or by collecting such waste from customers' houses free of charge and sending it for recycling in collaboration with TAP and Exitcom. Since 2010 approximately 60 tons of electronic waste and tons of batteries have been collected at TeknoSA stores across Turkey.

TeknoSA also carries out work in order to monitor electricity and water usage at its workplaces and ensure the use of environmentally friendly and energy-efficient devices.

In addition, in 2015, a Memorial Forest with 5,000 thousand saplings was created for TEMA Foundation in the Kadıovacık region in Urla, Izmir as part of TeknoSA Volunteering activities.

TEKNOSA HAS PROVIDED TECHNOLOGY TRAINING TO **ALMOST 15 THOUSAND WOMEN IN 58 CITIES** SINCE 2007.

Sustainability



### **CORPORATE SOCIAL RESPONSIBILITY**

With the responsibility that comes with 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, 15 thousand women in 58 cities were offered free-of-

charge computer courses. Late 2015 saw a new development in the form of Enocta collaboration for the Technology for Women trainings. We started providing online education opportunities for women in order to better support their personal development. In this manner, women are able to receive training wherever best suits them on Microsoft Office packages as well as on various subjects such as time-stress management, communication, entrepreneurship and family relations.

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 1% of the revenue obtained from the gift cards is donated to Darüşşafaka Association. Moreover, support is given via different medium 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 importance of the role of sports and the power of communication in social development, TeknoSA became the Technology Supplier of the Turkish National Football Team as a result of the collaborative project carried out with the Turkish Football Federation in 2007. Associating its leadership with Turkey's leader team, TeknoSA aims to contribute to the National Team's achievements on the global arena.



TEKNOSA HAS BECOME THE TECHNOLOGY SUPPLIER FOR NATIONAL TEAM AS A RESULT OF ITS AGREEMENT WITH THE TURKISH FOOTBALL FEDERATION IN 2007.

# 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](http://www.teknosa.com).

### Shareholder Structure

Corporate Name/Name-Surname	Capital Share (TL)	Capital Share (%)
Hacı Ömer Sabancı Holding A.Ş.	66,310,509.61	60.28
Dilek Sabancı	5,734,598.68	5.21
Sevil Sabancı	5,734,598.68	5.21
Serra Sabancı	5,734,638.83	5.21
Other Sabancı Family	13,660,996.39	12.42
Free Float	12,824,657.81	11.66
<b>Total</b>	<b>110,000,000.00</b>	<b>100.00</b>

### Employee Structure

	2014	2015
Administrative Personel of TeknoSA	536	482
Store Personel of TeknoSA	2,902	3,052
KlikSA	73	85
<b>Total</b>	<b>3,511</b>	<b>3,619</b>

### **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 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 31<sup>st</sup> of December 2015, are as follows:

### **Regarding the restructuring process of our affiliate company KlikSA İç and Dış Ticaret A.Ş. (January 11, 2016);**

In our Disclosure of Material Matters made by our Company on 26.11.2015, our Company publicly announced that it had signed a consulting agreement with an investment bank in order to reinforce the strong position of our 100% affiliated company "KlikSA İç and Dış Ticaret A.Ş." in the e-commerce sector and to evaluate strategic alternatives.

As a consequence of the activities carried out, a decision was taken to continue the high accelerated growth strategy of our Company in the fast-growing e-commerce channel, with the omni-channel strategy.

Within this scope; KlikSA İç and Dış Ticaret A.Ş., providing services as a multi-category e-commerce company since 2012, will continue to be our 100% affiliated company, and will continue carrying out its activities as of 11.01.2016 with the name of "kliksa.com", as an outlet channel under the structure of TeknoSA. With this new strategy, kliksa.com will use more of TeknoSA's experience and power. Offering services to its customers with wide range of products, kliksa.com will continue to provide uninterrupted service and shopping experience by incorporating forces and creating synergy with TeknoSA.

### **Anti-Bribery and Corruption Policy (January 19, 2016)**

With the decision n.1763 taken by the Board of Directors of our Company on the 18<sup>th</sup> of January 2016; the attached Anti-Bribery and Corruption Policy prepared by the Corporate Governance Committee was discussed and approved.

### **KlikSA Capital Increase (February 8, 2016)**

The process of increasing our 100% subsidiary KlikSA İç and Dış Ticaret A.Ş.'s TL 50,000,000.00 capital by TL 80,000,000.00 to TL 130,000,000.00, was registered and announced on the 5<sup>th</sup> of February 2016 by the Istanbul Trade Registry Office.



# Corporate Governance Principles Compliance Report

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

On the other hand, full compliance 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 2015, 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.

Despite the fact that there is no Company policy regarding the provision; "Company determines a target ratio (not less than 25%) and time for the female members in the Board of Directors and creates a policy in order to reach these

targets" stipulated in the Article n.4.3.9 of the Communiqué, attention is paid in this issue.

There are five 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 6<sup>th</sup> Article of the Communiqué. The Member of the Board of Directors of our Company, Mr. Osman Mehmet Sindel resigned on the 30<sup>th</sup> of June 2015 from his position as a Member of the Board of Directors.

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. In order to comply with the Article n.3.5.2. of the Communiqué, TeknoSA established an Anti-Bribery and Corruption Policy and announced the policy to all stakeholders on the 19<sup>th</sup> of January 2016 via TeknoSA Investor Relations website (<http://yatirimci.teknosa.com/anasayfa>) and Public Disclosure Platform (KAP).

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.

# Corporate Governance Principles Compliance Report

## SECTION II-SHAREHOLDERS

### 2.1 Investor Relations Department

In TeknoSA, Investor Relations Department reports to Finance Director Z. Korhan Bilek, 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@tekno.sa](mailto:yatirimciiliskileri@tekno.sa) or at +90 (216) 468 36 36 or 0850 222 55 99, 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 90 meetings in 2015 with investors and analysts both abroad and in Turkey; replied all questions and responded to 100 e-mails. In addition to this, 4 teleconferences were made regarding the Company's financial results and 6 Investor Conferences were attended in and outside the country.

Between the 1<sup>st</sup> of January 2015 and 31<sup>st</sup> of December 2015, TeknoSA İç ve Dış Ticaret A.Ş. made 22 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 2015 for Investor Relations was submitted to the Board of Directors on 3 February 2016.

### 2.2 The Use of Shareholders' Right to Information

In 2015, 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 2015, 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 2014 Ordinary General Assembly meeting was held on the 20<sup>th</sup> of March 2015 at 15:30 o'clock, at the address of Sabancı Center Sadıka Ana Salonu, 4. Levent, Beşiktaş, Istanbul.

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. 8767, dated 26.02.2015), 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 61.70% participation ratio and TL 110,000,000.00 total nominal value of the Company was represented with 6,787,013,477 shares that have a total nominal value of TL 67,870,134.77.

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's agenda items were; i) providing information about 2014 Annual Report, Auditor Report and Financial Statements, ii) providing information about the Aid and Donation to the General Assembly, iii) acquittance of the Members of the Board of Directors, iv) determining the method of using and distributing the 2014 profit, v) approving the Aid and Donation Policy and determining the limits of the donation to be made by the Company in 2015, vi) electing the Members of the Board of Directors, and determining the term of office of the Members of the Board of Directors, vii) determining the rights of the Members of the Board of Directors such as remunerations, honorariums, bonuses and premiums, viii) electing the Auditor, and ix) authorizing the Members and the Chairman of the Board of Directors to perform the transactions stipulated in the Articles n.395 and n.396 of the Turkish Code of Commerce.

At the General Assembly meeting; the information about the total TL 46.529 donation made by TeknoSA in 2014 to the non-profit organizations, was presented to the shareholders and the Aid and Donation Policy presented for the approval of the General Assembly, was approved by majority vote.

# Corporate Governance Principles Compliance Report

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 Rights to Vote 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 31<sup>st</sup> of December 2015, TeknoSA has 1 associate company (KlikSA İç ve Dış Ticaret A.Ş.) 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 2015.

## 2.5. Dividend Right

According to the Profit Distribution Policy approved at TeknoSA's Ordinary General Assembly Meeting that was held on the 20<sup>th</sup> of March 2015; 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 100% 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.

Taking into account the provisions of the relevant Law and the Articles of Association; at TeknoSA's Ordinary General Assembly Meeting held on the 20<sup>th</sup> of March 2015, a decision was taken to make a TL 16,060,000.00 of total gross cash dividend payment – with a ratio of 14.60% (gross) and 12.41% (net) – to the shareholders who represent TL 110.000.000 of capital, and to start the payments on the 25<sup>th</sup> of March 2015.

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 [teknosa.com](http://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 (II.17.1). 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.

# Corporate Governance Principles Compliance Report

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 26<sup>th</sup> 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 3600 feedback mechanism. The results are reviewed at various management meetings, and action plans are made in order to realize the necessary changes. With these practices, employees can participate in and contribute to achieving a more effective management at the Company.

Communication channels are always kept open for other stakeholders (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 2015.

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 Director, Asena Yalınız, 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.



# Corporate Governance Principles Compliance Report

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, protecting unique works of art, national team sponsorship etc.

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 five 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 6<sup>th</sup> Article of the Communiqué. The Member of the Board of Directors of our Company, Mr. Osman Mehmet Sindel resigned on the 30<sup>th</sup> of June 2015 from his position as a Member of the Board of Directors.

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

Although there is no Company policy regarding the provision of 4.3.9 Article of the Communiqué on “The Board of Directors determines a target ratio and target time for the female member ratio, provided that this ratio is not less than 25% and creates a policy to reach these targets”, the Company pays special attention on this issue.

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:

Name/Surname	Position	Term of Employment in the Company	Duties outside the Company
Haluk Dinçer	Chairman of the Board of Directors	12 years	President of the Retail and Insurance Group at Sabancı Holding
Temel Cüneyt Evirgen	Assistant of Chairman of the Board of Directors	11 years	Sabancı University Faculty Member
Barış Oran	Member of the Board of Directors	4 years	Head of Finance Group in Sabancı Holding
Oğuz Nuri Babüroğlu	Independent Member of the Board of Directors	4 years	Board Member of Eti Gıda A.Ş.
Atıl Saryal	Independent Member of Board of Directors	1 year	Board Member of KordSA, AkçanSA and Olmuksan companies

(\*) Muhterem Kaan Terzioğlu, who had been elected as an Independent Member of the Board of Directors at the General Assembly held on the 20<sup>th</sup> March 2015, resigned from his position on the 27<sup>th</sup> of March 2015, and Osman Mehmet Sindel, who had been elected as a Member of the Board of Directors at the General Assembly held on the 20<sup>th</sup> March 2015, resigned from his position on the 30<sup>th</sup> of June 2015. For the vacant position of Aydın Günter who resigned on the 17<sup>th</sup> of April 2015 after he was appointed as an Independent Member of the Board of Directors for the vacant position of Muhterem Kaan Terzioğlu, Atıl Saryal was appointed as an Independent Member of the Board of Directors to complete his remaining term of office.

## 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 deputy 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 deputy chairman.

The Board of Directors convenes as necessitated by the company affairs upon the chairman’s or deputy 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 deputy 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.

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.

# Corporate Governance Principles Compliance Report

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 01.01.2015 and 31.12.2015. 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 2015.

In 2015, 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 ve 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 Senior 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 17<sup>th</sup> of April 2015, the Corporate Governance Committee members were determined as follow;

<b>Name/Surname</b>	<b>Position</b>	<b>Nature of the Board of Directors Membership/Position</b>
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
Z. Korhan Bilek	Member of the Corporate Governance Committee	Finance Director of TeknoSA

Corporate Governance Committee convened 6 times in 2015.

### **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 24<sup>th</sup> 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.

# Corporate Governance Principles Compliance Report

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 17<sup>th</sup> of April 2015, the Early Risk Detection Committee members were determined as follow;

<b>Name/Surname</b>	<b>Position</b>	<b>Nature of the Board of Directors Membership</b>
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

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 17<sup>th</sup> of April 2015, the Audit Committee members were determined as follow;

<b>Name/Surname</b>	<b>Position</b>	<b>Nature of the Board of Directors Membership</b>
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 till 30<sup>th</sup> of December 2013 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. The Audit Committee is chaired by Board Member, Muhterem Kaan Terzioğlu.

# Corporate Governance Principles Compliance Report

## 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](http://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 2015, 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 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 report issued on the 8<sup>th</sup> February of 2016 by the TeknoSA A.Ş. Board of Directors, shows that all legal procedures were performed and all necessary action was taken – within the scope of the obligations of the Board of Directors stipulated in the 119<sup>th</sup> Article of the Turkish Code of Commerce n.6102 – in all transactions performed in 2015 between TeknoSA A.Ş. and its controlling shareholder (parent company) and the affiliate companies of the controlling shareholder. The performed transactions are in conformity with market examples in line with the controlling shareholder provisions stipulated in the Turkish Code of Commerce n.6102. There is no loss incurred by TeknoSA A.Ş. as a result of being a member of the group companies.

# Independent Auditor Report Regarding the Annual Report

## Deloitte.

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### INDEPENDENT AUDITOR REPORT REGARDING THE ANNUAL REPORT

#### 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.S ("Company") and its associate company (together, hereinafter will be referred to as "Group"), regarding the accounting period that was ended on the 31<sup>st</sup> of December 2015.

#### Board of Directors' Responsibility regarding the Annual Report

As per the 514<sup>th</sup> 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 397<sup>th</sup> Article and the Communiqué, on the Group's Annual Report; our responsibility is to state our opinions on whether the financial data in this Annual Report consists with the Group's consolidated financial statements or not which subjected on independent auditor's report on February 15, 2016, 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 ("KGGK"). 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 consolidated 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 3<sup>rd</sup> paragraph of the 402<sup>nd</sup> 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



Ömer Tanrıöver  
Responsible Auditor  
Istanbul, February 15 2016

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**  
**CONVENIENCE TRANSLATION INTO ENGLISH OF**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

(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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Teknosa İç ve Dış Ticaret A.Ş. ("the Company") and its subsidiary (together will be referred as "the Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 Consolidated Financial Statements*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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 consolidated 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 2015, and of their financial performance and their 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 15 February 2016.

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 Group's set of accounts and financial statements prepared for the period 1 January-31 December 2015 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**



Ömer Tannöver, SMMM  
Partner

Istanbul, 15 February 2016

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# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## AUDITED CONSOLIDATED BALANCE SHEET

### AT 31 DECEMBER 2015

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

	Notes	Current Period 31 December 2015	Prior Period 31 December 2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	305.285	192.998
Trade receivables	6	51.203	26.832
<i>Trade receivables from related parties</i>	4	2.008	3.999
<i>Trade receivables from third parties</i>		49.195	22.833
Inventories	8	480.611	530.417
Prepaid expenses	9	15.677	9.872
Assets related to current tax	23	460	-
Derivative instruments	26	360	-
Other current assets	16	2.212	1.655
<b>Non current assets</b>		<b>175.467</b>	<b>187.204</b>
Other receivables	7	671	710
Investment property	10	10.557	10.746
Property, plant and equipment	11	98.760	118.261
Intangible assets	12	21.857	27.165
Prepaid expenses	9	149	308
Deferred tax assets	23	24.570	16.072
Other non current assets	16	18.903	13.942
<b>TOTAL ASSETS</b>		<b>1.031.275</b>	<b>948.978</b>

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

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## AUDITED CONSOLIDATED BALANCE SHEET

### AT 31 DECEMBER 2015

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

	Notes	Current Period 31 December 2015	Prior Period 31 December 2014
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>950.447</b>	<b>757.228</b>
Trade payables	6	870.728	691.683
<i>Trade payables to related parties</i>	4	4.332	7.321
<i>Trade payables to third parties</i>		866.396	684.362
Payables related to employee benefits	13	8.896	8.006
Other payables	7	1.014	802
<i>Other payables to third parties</i>	4	1.014	802
Deferred income	9	25.286	21.489
Current period tax liability	23	-	1.435
Short term provisions		20.018	9.102
<i>Provisions related to employee benefits</i>	13	17.630	8.011
<i>Other short term provisions</i>	14	2.388	1.091
Other current liabilities	16	24.505	24.711
<b>Non current liabilities</b>		<b>4.306</b>	<b>3.370</b>
Provisions for employment termination benefits	13	4.306	3.370
<b>EQUITY</b>			
		<b>76.522</b>	<b>188.380</b>
Share capital	17	110.000	110.000
Adjustment to share capital	17	6.628	6.628
Restricted reserves	17	8.704	7.161
Other reserves		3	3
Items that will be reclassified subsequently to profit or loss		288	-
<i>Cash flow hedge reserve</i>		288	-
Items that will not be reclassified subsequently to profit or loss		(1.984)	(471)
<i>Losses on remeasurement of defined benefit plans</i>		(1.984)	(471)
Retained earnings		47.456	85.034
Net (loss) for the period		(94.573)	(19.975)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1.031.275</b>	<b>948.978</b>

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



# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Current Period 1 January - 31 December 2015	Prior Period 1 January - 31 December 2014
Revenue	18	3.167.165	3.018.260
Cost of sales (-)	18	(2.615.853)	(2.467.373)
<b>GROSS PROFIT</b>		<b>551.312</b>	<b>550.887</b>
Marketing expenses (-)	19	(499.746)	(462.680)
General administrative expenses (-)	19	(57.266)	(46.387)
Other income from operating activities	20	19.452	9.911
Other expenses from operating activities (-)	20	(97.178)	(60.095)
<b>OPERATING LOSS</b>		<b>(83.426)</b>	<b>(8.364)</b>
Income from investing activities	21	3.879	6.566
<b>OPERATING LOSS BEFORE FINANCIAL EXPENSE</b>		<b>(79.547)</b>	<b>(1.798)</b>
Finance expenses (-)	22	(23.217)	(22.250)
<b>LOSS BEFORE TAX</b>		<b>(102.764)</b>	<b>(24.048)</b>
<b>Tax income / (expense)</b>		<b>8.191</b>	<b>4.073</b>
- Current tax expense	23	-	(4.747)
- Deferred tax income	23	8.191	8.820
<b>NET LOSS FOR THE PERIOD</b>		<b>(94.573)</b>	<b>(19.975)</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>		<b>(1.513)</b>	<b>(171)</b>
<i>Loss on remeasurement of defined benefit plans</i>		(1.892)	(214)
<i>Deferred tax income</i>		379	43
<b>Items that will be reclassified subsequently to profit or loss</b>		<b>288</b>	<b>-</b>
<i>Gain on cash flow hedges</i>		360	-
<i>Deferred tax income</i>		(72)	-
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME</b>		<b>(95.798)</b>	<b>(20.146)</b>

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**  
**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise indicated.)

Prior period	Share capital	Adjustment to share capitals	Restricted reserves	Other reserves	Items that will not be reclassified subsequently to profit or loss	Items that will be reclassified subsequently to profit or loss	Accumulated profit / (loss)	Net profit / (loss)	Total equity
Balance at 1 January 2014	110.000	6.628	758	3	(300)	-	78.940	56.715	252.744
Transfer to retained earnings	-	-	6.403	-	-	-	50.312	(56.715)	-
Dividends <sup>(1)</sup>	-	-	-	-	-	-	(44.218)	-	(44.218)
Total comprehensive loss	-	-	-	-	(171)	-	-	(19.975)	(20.146)
Balance at 31 December 2014	110.000	6.628	7.161	3	(471)	-	85.034	(19.975)	188.380
<b>Current Period</b>									
Balance at 1 January 2015	110.000	6.628	7.161	3	(471)	-	85.034	(19.975)	188.380
Transfer to retained earnings	-	-	1.543	-	-	-	(21.518)	19.975	-
Dividends <sup>(1)</sup>	-	-	-	-	-	-	(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

<sup>(1)</sup> Dividends paid by the Group per share with a TRY 1 nominal value is TRY 0.15 (2014: TRY 0.40).

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Current Period 1 January- 31 December 2015	Prior Period 1 January- 31 December 2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss profit before tax		(94.573)	(19.975)
<b>Adjustments:</b>			
Interest expense, credit cards' commissions and other financing expenses	22	23.217	22.250
Depreciation and amortization expenses	10, 11, 12	41.662	36.761
Retirement pay provision	13	4.440	3.119
Unused vacation provision	13	166	305
Allowance for doubtful receivables	6	3.652	1.011
Loss arising from disposal of tangible assets of closed stores	11	5.092	4.235
Impairment / (reversal of impairment) of tangible assets	11	26.099	5.112
Provision for impairment on inventories	8	13.037	1.053
Interest income	21	(3.879)	(6.566)
Tax income	23	(8.191)	(4.073)
		<b>10.722</b>	<b>43.232</b>
<b>Changes in working capital:</b>			
(Increase) / decrease in trade receivables and other receivables		(30.014)	121
(Increase) / decrease in trade receivables from related parties		1.991	(3.606)
Decrease / (increase) in inventories		36.769	(20.031)
(Increase) / (decrease) in other current assets and prepaid expenses		(6.491)	14.880
(Increase) in other non current assets		(4.922)	(3.503)
Decrease / (increase) in trade payables		182.034	(52.557)
Increase / (decrease) in trade payables to related parties		(2.989)	5.416
Increase in other current liabilities		15.731	8.257
Increase / (decrease) in other non current liabilities		(1.089)	289
Retirement pay provision paid		(4.307)	(3.679)
Taxes paid		(1.895)	(7.977)
Cash provided from / (used in) operations		195.540	(19.158)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible assets	11	(37.392)	(46.338)
Purchase of intangible assets	12	(10.463)	(16.071)
Interest received	21	3.879	6.566
<b>Cash used in investment activities</b>		<b>(43.976)</b>	<b>(55.843)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest, credit card commissions and other finance costs paid	22	(23.217)	(22.250)
Dividend payments		(16.060)	(44.218)
<b>Cash used in financing activities</b>		<b>(39.277)</b>	<b>(66.468)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>112.287</b>	<b>(141.469)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>192.998</b>	<b>334.467</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>305.285</b>	<b>192.998</b>

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

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP

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 3,619 as of 31 December 2015 (31 December 2014: 3,511). The Company has been registered in Turkey and operates under the laws and regulations of Turkish Commercial Codes.

The Company operates in Turkey in 278 stores with 171,622 square meters retail space as of 31 December 2015 (31 December 2014: 170,593 square meters, 291 stores). The registered Office address of the company is as follows.

Batman Sokak Teknosa Plaza No:18  
Sahrayıcedit - İstanbul

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

#### Subsidiary

Kliksa İç ve Dış Ticaret A.Ş., which is owned 100% by the Company, started to be fully consolidated from 31 December 2011 due to plans of extensions of its operations. The main operation of the subsidiary is to sell electronic equipment and electronic marketplace management through the website “www.kliksa.com”. By the end of 2015, it has been decided to apply omni-channel strategy in line with the growth plan of the Company in e-trading channel which is developing rapidly. As a result of this decision, Kliksa İç ve Dış Ticaret A.Ş. will continue its operations as an outlet channel with the name of Kliksa.com starting from 11 January 2016 under the auspices of TeknoSA by benefiting from its experience and power, besides continuing to be a subsidiary which is 100% owned by TeknoSA.

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

#### Approval of financial statements

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 15 February 2016. General Assembly has the authority to modify the financial statements.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

##### *Statement of Compliance with TAS*

Legal financial statements and statutory books are kept in accordance with Turkish Code of Commerce ("TCC") and accounting principles which are determined from tax legislation.

The attached consolidated 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 consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

##### Presentation and Functional Currency

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

##### 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.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### 2.1 Basis of Presentation (Continued)

Comparative information and restatement of the prior periods' financial statements

Consolidated financial statements of the Group 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 consolidated 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 Group made some reclassifications on the prior year financial statements. The details of the reclassifications are as follows:

- In 2014, the Group presented discount expenses amounting to TRY 1,822 under cost of goods sold in the consolidated statement of profit or loss and other comprehensive income, in the current year, the Group management reclassified this amount to revenue.
- In 2014, the Group presented marketing income amounting to TRY 758 under other operating income in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified this amount to marketing expenses.
- In 2014, the Group presented provisions for doubtful trade receivables amounting to TRY 911 under other operating expenses in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified this amount to general administrative expenses.
- In 2014, the Group presented income accruals amounting to TRY 720 under trade receivables in the consolidated balance sheet. In the current year, the Group management reclassified this amount to trade payables.
- In 2014 the Group presented foreign exchange losses amounting TRY 165 under other operating income in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified this amount to other operating 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 Group did not have any changes in its accounting policies in the current year.

#### 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 Group has no significant changes in the accounting estimates in the current year.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### 2.4 New and Revised Turkish Accounting Standards

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

None.

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

Amendments to TAS 19	<i>Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
Annual Improvements to 2010-2012 Cycle	TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39 <sup>1</sup>
Annual Improvements to 2011-2013 Cycle	TFRS 3, TFRS 13, TAS 40 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 30 June 2014.

#### Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

#### Annual Improvements to 2010-2012 Cycle

**TFRS 2:** Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

**TFRS 3:** Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**TFRS 8:** Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

**TFRS 13:** Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

**TAS 16 and TAS 38:** Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**TAS 24:** Clarify how payments to entities providing management services are to be disclosed.



# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### 2.4 New and Revised Turkish Accounting Standards (Continued)

##### b) New and revised TAS applied with no material effect on the consolidated financial statements (continued)

Annual Improvements to 2011-2013 Cycle

**TFRS 3:** Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**TFRS 13:** Clarify the scope of the portfolio exception in paragraph 52.

**TAS 40:** Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

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

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

TFRS 9  
Amendments to TFRS 9 and TFRS 7

*Financial Instruments  
Mandatory Effective Date of TFRS 9 and  
Transition Disclosures  
Clarification of Acceptable Methods of Depreciation and  
Amortisation<sup>1</sup>*

Amendments to TAS 16 and TAS 38

*Amendments to TAS 16 and TAS 41 and  
amendments to TAS 1, TAS 17, TAS 23,  
TAS 36 and TAS 40*

*Amendments to TFRS 11 and TFRS 1*

*Agriculture: Bearer Plants<sup>1</sup>  
Accounting for Acquisition of Interests in  
Joint operations<sup>1</sup>*

*Annual Improvements to 2011-2013 Cycle  
Amendments to TAS 1*

*TFRS 1<sup>2</sup>*

*Annual Improvements to 2012-2014 Cycle  
Amendments to TAS 27*

*Disclosure Initiative<sup>2</sup>*

*Amendments to TFRS 10 and TAS 28*

*TFRS 5, TFRS 7, TAS 34, TAS 19<sup>2</sup>*

*Amendments to TFRS 10, TFRS 12 and TAS 28*

*Equity Method in Separate Financial Statements<sup>2</sup>  
Sale or Contribution of Assets between an Investor and  
its Associate or Joint Venture<sup>2</sup>*

*TFRS 14*

*Investment Entities: Applying the  
Consolidation Exception<sup>2</sup>  
Regulatory Deferral Accounts<sup>2</sup>*

<sup>1</sup> Effective for annual periods beginning on or after 31 December 2015.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### 2.4 New and Revised Turkish Accounting Standards (Continued)

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

###### *TFRS 9 Financial Instruments*

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition.

###### *Amendments to TFRS 9 and TFRS 7 Mandatory Effective Date of TFRS 9 and Transition Disclosures*

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

###### *Amendments to TAS 16 and TAS 38 Clarification of Acceptable Methods of Depreciation and Amortization*

This amendment clarifies that 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 amortization 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 include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a 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.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### 2.4 New and Revised Turkish Accounting Standards (cont'd)

##### c) New and revised TAS in issue but not yet effective (cont'd)

##### *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.

##### **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.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### 2.4 New and Revised Turkish Accounting Standards (cont'd)

##### c) New and revised TAS in issue but not yet effective (cont'd)

##### 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 Consolidation Exception*

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

- The exemption from preparing consolidated 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 consolidated 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.

The Group's management evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### 2.5 Summary of Significant Accounting Policies

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

##### Cash and cash equivalents

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

Collection risk due from the credit card sales of the Group 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 Group 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.

##### Related parties

For the purpose of consolidated financial statements, major shareholders, Hacı Ömer Sabancı Holding A.Ş. and affiliates (together referred to as "Sabancı Holding Group"), directors and key management personnel together with their close family members and companies and subsidiaries controlled or affiliated by them are considered and referred to as related parties (Note 4).

##### Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables that deferred financial income is netted-off and calculated by discounting amounts that will be collected of trade receivables recorded in the original invoice value in the subsequent periods using the effective yield method. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 6).

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

##### Inventories and cost of goods sold

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventory are purchase costs and other transportation costs necessary to prepare the asset for its intended use. Cost is determined by the 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.

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

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

##### Investment property

Buildings and land held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, or for administrative purposes or sale in the ordinary course of business, are classified as investment property. Investment properties are carried at cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis. Depreciation is calculated on the values of investment properties (Note 10). Investment buildings are depreciated over their estimated useful lives of 50 years.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

##### Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in each case. Property, plant and equipment are depreciated on a straight-line basis (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
Furniture and fixtures	5 - 10
Leasehold improvements	5 - 10

##### Intangible assets and amortization

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

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



# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED 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 Group as the lessee

###### *Operating leases*

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

##### Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 Group.

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

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

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### NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED 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 Group and the repayments of these funds.

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

##### Borrowings

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

##### Taxation on income

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### 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 consolidated 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 Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

##### Taxation on income (continued)

###### *Deferred tax*

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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 Group 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.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

##### 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 Group. 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 Group 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).

##### Earnings per share

Earnings per share disclosed in the statement of consolidated comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 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 consolidated statement of profit or loss.

##### Revenue recognition

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

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

##### Revenue recognition (Continued)

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

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

Under the customer loyalty program, the Group 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 Group posts the related amounts to the consolidated financial statements as liability. Used bonus is then presented in sales discounts.

Interest income is recorded by using the effective interest rate.

##### Warranty expenses and provisions

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

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

##### Business combinations

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

Excess of 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.

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## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

##### Segment reporting (Continued)

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 Group. EBITDA is not a measure of operating income, operating performance or liquidity under CMB Financial Reporting Standards. The Group presented EBITDA in the notes to the financial statements besides the requirements of segment reporting since it is used by certain readers in their analyses (Note 3).

##### Share capital and dividends

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

##### Offsetting

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

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

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## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

##### Derivative Financial Instruments and Hedge Accounting

The Group applies hedge accounting since November 2015 as explained below. The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Group 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 Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group'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.

The Group'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 consolidated 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 Group's accounting policies

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

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

##### *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.

##### *Impairment of tangible and intangible assets*

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Group 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 Group's five year long term plans considering remaining economic useful life of the stores. In this context, Group presumes impairments of leasehold improvements on the stores in which Group is the lessee, considering of the stores continuity. Besides, the Group 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 Group booked a provision for loss on sale of tangible assets amounting TRY 26,099 as of 31 December 2015 (31 December 2014: TRY 5,112 impairment reversal).

##### *Decrease in value of stocks (NRV)*

In accordance with the accounting policy, inventories are stated at the net realizable value. The Group 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 Group has booked provision for inventories amounting TRY 11,175 as of 31 December 2015.

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



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

#### 2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

##### *Income Accruals*

As of 31 December 2015, the Group 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 Group Management has accounted TRY 5,157 of income accrual regarding such tax penalties in the consolidated financial statements at 31 December 2015 based on the opinions of the legal counsels and customs experts and based on the fact that there are previous lawsuits finalized in favor of the Group (Note 16).

##### *Deferred Tax Assets*

The Group 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 subsidiary of the Group 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 partly or fully recoverable has been estimated under the current circumstances. 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. According to this estimation, the Group has not recognized deferred tax assets from outstanding losses of previous years amounting TRY 39,842.

### NOTE 3 – SEGMENT REPORTING

The Group 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 Group'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 (iklimsa). In addition, assets and liabilities are not included since they are not regularly presented to and reviewed by the Group's CODM.

The total equity of Kliksa, the subsidiary of the Group, amounts to TRY (52,743) as of 31 December 2015 (31 December 2014: TRY 13,626), net sales for the year then ended amounts to TRY 298,524 (2014: TRY: 208,651) and net loss amounts to TRY 66,268 (2014: TRY 23,701).

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 3 – SEGMENT REPORTING (Continued)

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

	1 January - 31 December 2015		
	Stores	Dealer Group	Total
Total segment income	3.044.708	122.457	3.167.165
<b>Income from third party customers</b>	<b>3.044.708</b>	<b>122.457</b>	<b>3.167.165</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>23.083</b>	<b>17.319</b>	<b>40.402</b>
Depreciation and amortization expenses	(41.061)	(601)	(41.662)
Tax income / (expense)	11.698	(3.507)	8.191

	1 January - 31 December 2014		
	Stores	Dealer Group	Total
Total segment income	2.923.623	94.637	3.018.260
<b>Income from third party customers</b>	<b>2.923.623</b>	<b>94.637</b>	<b>3.018.260</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>71.229</b>	<b>10.449</b>	<b>81.678</b>
Depreciation and amortization expenses	(36.306)	(456)	(36.762)
Tax income / (expense)	5.838	(1.765)	4.073

Reconciliation of EBITDA with profit before taxes:

	1 January 31 December 2015	1 January- 31 December 2014
EBITDA for reportable segments	40.402	81.678
Depreciation	(41.662)	(36.762)
Financial expenses	(23.217)	(22.250)
Income from investing activities	3.879	6.566
Other expenses - net	(77.726)	(50.184)
Provision for employee termination benefits	(4.440)	(3.096)
<b>[Loss] / Profit before tax</b>	<b>(102.764)</b>	<b>(24.048)</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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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.

Kliksa A.Ş., which is the subsidiary of the Company and consolidated on a line-by-line basis supplies a large portion of its trade goods from the Company. Besides, Kliksa receives services from the Company's support departments such as finance, law, information technologies, and human resources.

	31 December 2015	
	Receivables	Payables
	Current	Current
<b>Balances with related parties</b>	<b>Trading</b>	<b>Trading</b>
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)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	(3.099)
Enerjisa Enerji A.Ş. and its subsidiaries	-	(954)
Hacı Ömer Sabancı Holding A.Ş.	-	(27)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	-	(15)
	<b>2.008</b>	<b>(4.332)</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	31 December 2014	
	Receivables	Payables
	Current	Current
	Trading	Trading
<b>Balances with related parties</b>		
Akbank T.A.Ş.	2.105	-
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1.485	(101)
Avivasa Emeklilik ve Hayat A.Ş.	262	(19)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	92	-
Akçansa Çimento San. ve Tic. A.Ş.	29	-
Aksigorta A.Ş.	15	(41)
Philip Morris Sabancı Pazarlama Satış A.Ş.	11	-
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	(6.041)
Enerjisa Enerji A.Ş. and its subsidiaries	-	(1.112)
Hacı Ömer Sabancı Holding A.Ş.	-	(7)
	<b>3.999</b>	<b>(7.321)</b>
	<b>31 December</b>	<b>31 December</b>
<b>Deposit accounts in Akbank T.A.Ş.</b>	<b>2015</b>	<b>2014</b>
Demand deposit	842	1.392
Time deposit	101.660	144.250
	<b>102.502</b>	<b>145.642</b>
	<b>31 December</b>	<b>31 December</b>
<b>Credit card slip receivables in Akbank T.A.Ş.</b>	<b>2015</b>	<b>2014</b>
Credit card slip receivables	1.991	4.163
	1.991	4.163

The Group has foreign currency forward contracts with Akbank in total of USD 24,200 and EUR 22,800 with a maturity of 2016.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	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	0	(5.647)
Other	14	-	-
	<b>15.123</b>	<b>(5.268)</b>	<b>(13.116)</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties	1 January - 31 December 2014		
	Sales	Rent expense	Other income / (expenses)
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	5.085	(7.167)	(874)
Akbank T.A.Ş.	4.660	-	6.556
Avivasa Emeklilik ve Hayat A.Ş.	1.049	-	(1.247)
Aksigorta A.Ş.	552	(8)	(4.335)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	205	-	(119)
Akçansa Çimento San. ve Tic. A.Ş.	158	-	-
H.Ö. Sabancı Holding A.Ş.	157	-	(28)
Philip Morris Sabancı Pazarlama Satış A.Ş.	54	-	-
Enerjisa Enerji A.Ş. and its subsidiaries	19	-	(6.330)
Sabancı Üniversitesi	11	-	-
Cimsa Çimento Sanayi ve Ticaret A.Ş.	9	-	-
Kordsa Global Endüstriyel İplik	5	-	-
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	2	-	(8.458)
Other	-	-	(7)
	<b>11.966</b>	<b>(7.175)</b>	<b>(14.842)</b>

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 2015 and 2014 are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Salaries and other benefits	7.412	5.178
	<b>7.412</b>	<b>5.178</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Cash	1.908	1.295
Demand deposit	2.218	1.718
Time deposit	288.046	175.532
Credit card slip receivables	13.113	14.453
	<b>305.285</b>	<b>192.998</b>

As of 31 December 2015, Group's all time deposits are Turkish Liras with the average interest rate of 13.44% (31 December 2014: Time deposits include TRY 174,373 Turkish Liras and USD time deposits of TRY 1,159 with the average interest rates of 10.53% and 1.95%, respectively).

### NOTE 6 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 31 December 2015 and 2014 are as follows:

Current trade receivables	31 December 2015	31 December 2014
Trade receivables	44.577	19.196
Due from related parties (Note 4)	2.008	3.999
Notes receivables	10.485	5.852
Allowance for doubtful receivables (-)	(5.867)	(2.215)
	<b>51.203</b>	<b>26.832</b>

The details of provision for doubtful trade receivables as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Balance at beginning of the year	2.215	1.261
Amounts written off during the year	3.652	1.011
Amounts recovered during the year	-	(57)
Closing balance	5.867	2.215

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2015 and 2014, the Group holds the below collaterals for its checks, notes and trade receivables.

	31 December 2015	31 December 2014
Letters of guarantees received	9.110	4.376
Mortgages	3.588	2.706
	<b>12.698</b>	<b>7.082</b>

Fair value of the collaterals which the Group is permitted to sell or repledge in the absence of default by the owner of the collateral is TRY 12,698 (31 December 2014: TRY 10,695). As of the balance sheet date, there are not any collaterals or mortgages which are sold or re-pledged.

<b>Current trade payables</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Trade payables	859.297	682.094
Trade payables to related parties (Note 4)	4.332	7.321
Expense accruals	7.099	2.268
	<b>870.728</b>	<b>691.683</b>

As of 31 December 2015, the Group netted of income accruals related to suppliers amounting to TRY 43,769 with trade payables (31 December 2014: TRY 23,341).

### NOTE 7 - OTHER RECEIVABLES AND PAYABLES

<i>Other Receivables</i>	31 December 2015	31 December 2014
Deposits and guarantees given	671	710
	<b>671</b>	<b>710</b>

<i>Other Payables</i>	31 December 2015	31 December 2014
Deposits and guarantess received	1.014	802
	<b>1.014</b>	<b>802</b>



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## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 8 - INVENTORIES

The details of the inventories as of 31 December 2015 and 2014 are presented below:

	31 December 2015	31 December 2014
Trade goods	496.076	531.461
Goods in transit	2.060	3.444
Provision of impairment on inventories (-)	(17.525)	(4.488)
	<b>480.611</b>	<b>530.417</b>
<i>Provision of impairment on inventories:</i>	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Opening balance at 1 January	(4.488)	(3.435)
Charge for the year	(13.037)	(1.053)
<b>Closing balance at 31 December</b>	<b>(17.525)</b>	<b>(4.488)</b>

### NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of other current assets as of 31 December 2015 and 2014 are presented below:

<b>Short-term Prepaid Expenses</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Order advances given for inventory purchase	6.368	372
Short term prepaid expenses	9.309	9.500
	<b>15.677</b>	<b>9.872</b>
<b>Long-term Prepaid Expenses</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Long term prepaid expenses	149	308
	<b>149</b>	<b>308</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

The details of the deferred revenue as of 31 December 2015 and 2014 are presented below:

<i>Short-term Deferred Revenue</i>	31 December 2015	31 December 2014
Order advances received	24.666	20.961
Other	620	528
	<b>25.286</b>	<b>21.489</b>

### NOTE 10 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation as of 31 December 2015 and 31 December 2014 are as below:

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**  
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**NOTE 10 – INVESTMENT PROPERTY (Continued)**

	Lands	Buildings	Total
<b>Cost Value</b>			
Opening balance at 1 January 2014	2.775	8.811	11.586
Additions	-	-	-
Closing balance at 31 December 2014	2.775	8.811	11.586
<b>Accumulated Depreciation</b>			
Opening balance at 1 January 2014	-	(651)	(651)
Charge for the year	-	(189)	(189)
Closing balance at 31 December 2014	-	(840)	(840)
<b>Net book value as of 31 December 2014</b>	<b>2.775</b>	<b>7.971</b>	<b>10.746</b>

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to TRY 480 (2014: TRY 479). Direct operating expenses arising on the investment property in the period include maintenance and repair costs which amounted to TRY 353 (2014: TRY 331). Operating expenses which do not belong to Teknosa store are distributed to lessees.

The fair value of the Group's investment property and land and buildings included in the property, plant and equipment has been arrived at on the basis of a valuation carried out on the respective dates by TADEM Taşınmaz Değerleme Müşavirlik A.Ş. independent valuer not related to the Group. The related company is authorized by CMB in property valuation service, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. Fair value of investment property was stated as TRY 43,000 in the related valuation report dated October 2015.

Depreciation expenses are included in general administrative expenses (2014: General administrative expenses).

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 11 – PROPERTY, PLANT AND EQUIPMENTS**

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

	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
<b>Cost value</b>								
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)
Transfer from construction in progress <sup>(1)</sup>	-	-	-	-	3.443	4.703	(13.857)	(5.711)
Closing balance at 31 December 2015	3.444	6.323	359	66	85.363	123.722	22.078	241.355
<b>Accumulated depreciation and impairment losses</b>								
Opening balance at 1 January 2015	-	(697)	(308)	(61)	(48.734)	(55.685)	-	(105.485)
Current charge	-	(113)	(41)	(9)	(11.023)	(1.6278)	-	(27.464)
Disposals	-	-	84	32	3.870	4.994	-	8.980
(Provision for) / reversal of impairment, net <sup>(1)</sup>	-	-	-	-	(39)	480	(19.067)	(18.626)
Closing balance at 31 December 2015	-	(810)	(265)	(38)	(55.926)	(6.6489)	(19.067)	(142.595)
<b>Net book value at 31 December 2015</b>	<b>3.444</b>	<b>5.513</b>	<b>94</b>	<b>28</b>	<b>29.437</b>	<b>57.233</b>	<b>3.011</b>	<b>98.760</b>

<sup>(1)</sup> The additions amounting to TRY 5,711 relate to intangible assets as of 31 December 2015.

<sup>(1)</sup> 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.

Depreciation expenses amounting to TRY 25,511 (2014: TRY 25,726) are included in marketing expenses and TRY 1,953 (2014: TRY 1,970) 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 2014 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 2014	3.444	6.310	449	86	76.732	109.516	3.349	199.886
Additions	-	11	78	33	8.639	12.982	24.595	46.338
Disposals	-	-	(84)	(21)	(6.589)	(10.452)	-	(17.146)
Transfer from construction in progress <sup>(1)</sup>	-	-	-	-	3.739	8.851	(17.922)	(5.332)
Closing balance at 31 December 2014	3.444	6.321	443	98	82.521	120.897	10.022	223.746
<b>Accumulated depreciation and impairment losses</b>								
Opening balance at 1 January 2014	-	(584)	(271)	(72)	(41.176)	(44.192)	-	(86.295)
Current charge	-	(113)	(54)	(10)	(11.122)	(16.397)	-	(27.696)
Disposals	-	-	17	21	4.773	8.807	-	13.618
(Provision for) /reversal of impairment, net <sup>(2)</sup>	-	-	-	-	(1.209)	(3.903)	-	(5.112)
Closing balance at 31 December 2014	-	(697)	(308)	(61)	(48.734)	(55.685)	-	(105.485)
<b>Net book value at 31 December 2014</b>	<b>3.444</b>	<b>5.624</b>	<b>135</b>	<b>37</b>	<b>33.787</b>	<b>65.212</b>	<b>10.022</b>	<b>118.261</b>

<sup>(1)</sup> The additions amounting to TRY 5,332 relate to intangible assets as of 31 December 2014.

<sup>(2)</sup> Impairment calculated for tangible assets is TRY 5,485 as of 31 December 2014. Reversal of impairment amount in the period is TRY 373.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 11 - PROPERTY, PLANT AND EQUIPMENTS (Continued)

The Group has reviewed the levels of profitability of its existing stores. The Group has decided to close the stores which are incurring losses and the ones which are estimated to incur losses in the following period, and has provided a provision for the furniture and fixtures and leasehold improvements in these stores and accounted for in the consolidated statement of profit or loss. The value in use of the relevant assets is determined as their own utilized values. The rate used to determine this value is 50% for furniture and fixtures, whereas the total value of leasehold improvements is recognized as expense. Besides, the Group has revised its strategy regarding Kliksa.com which will continue its operations as an outlet channel of Teknosa.com. Therefore, the Group provided provision for the website capital expenditures of the subsidiary. The total provision provided for the tangible and intangible assets amounts to TRY 26,099 as of 31 December 2015.

Impairment losses are recorded under "impairment losses of tangible and intangible assets" in other expenses from operating activities in the consolidated statement of profit or loss.

### NOTE 12 - INTANGIBLE ASSETS

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
<b>Closing balance at 31 December 2015</b>	<b>6.789</b>	<b>60.298</b>	<b>67.087</b>
<b>Accumulated Amortization</b>			
Opening balance at 1 January 2015	(1.438)	(22.310)	(23.748)
Charge for the year	(880)	(13.129)	(14.009)
Provision for impairment losses	(417)	(7.056)	(7.473)
Closing balance at 31 December 2015	(2.735)	(42.495)	(45.230)
<b>Net book value as of 31 December 2015</b>	<b>4.054</b>	<b>17.803</b>	<b>21.857</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 12 – INTANGIBLE ASSETS (Continued)

Cost Value	Licenses and Rights	Computer Softwares	Total
Opening balance at 1 January 2014	8.633	23.980	32.613
Additions	876	15.195	16.071
Disposals	(3.103)	-	(3.103)
Transfers from construction in progress	110	5.222	5.332
<b>Closing balance at 31 December 2014</b>	<b>6.516</b>	<b>44.397</b>	<b>50.913</b>

#### Accumulated Amortization

Opening balance at 1 January 2014	(2.458)	(14.810)	(17.268)
Charge for the year	(1.376)	(7.500)	(8.876)
Disposals	2.396		2.396
Closing balance at 31 December 2014	(1.438)	(22.310)	(23.748)

<b>Net book value as of 31 December 2014</b>	<b>5.078</b>	<b>22.087</b>	<b>27.165</b>
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Amortization expenses amounting to TRY 1,526 (2014: TRY 967) are included in marketing expenses and TRY 12,483 (2014: TRY 7,909) are included in general administrative expenses.

### NOTE 13 – PAYABLES RELATED TO EMPLOYEE BENEFITS

The details of the due to employees as of 31 December 2015 and 2014 are presented below:

	31 December 2015	31 December 2014
Social security premiums payable	8.818	7.852
Accrued salaries	78	154
	<b>8.896</b>	<b>8.006</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 13 – PAYABLES RELATED TO EMPLOYEE BENEFITS (Continued)

The details of the provisions related to employee benefits as of 31 December 2015 and 2014 are presented below:

<i>Short-term provisions</i>	31 December 2015	31 December 2014
Restructuring provision <sup>(1)</sup>	11.104	2.000
Sales personnel premium provision	3.733	2.754
Unused vacation provision	2.391	2.225
Administrative personnel premium provision	402	1.032
	<b>17.630</b>	<b>8.011</b>

<sup>(1)</sup> 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 its subsidiary Klixsa A.Ş. for the aim of improving its financial performance. Hence, the Group provided provision for anticipated expenses.

<i>Long-term provisions</i>	31 December 2015	31 December 2014
Retirement pay provision	4.087	2.062
Administrative personnel premium provision	219	1.308
	<b>4.306</b>	<b>3.370</b>

#### Retirement pay provision:

Under Turkish Labor Law, the Group 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 4,092.53 (2014: TRY 3,541.37) for each period of service at 31 December 2015.

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



# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 13 – PAYABLES RELATED TO EMPLOYEE BENEFITS (Continued)

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 2015, 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 3.68% real discount rate (31 December 2014: 3.30%) calculated by using 6.10% annual inflation rate and 10% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel are taken into consideration as 27.92% and 17.59%, respectively (31 December 2014: 20% and 7.5%), and 0% for employees working for 16 years and over. Ceiling for retirement pay is revised semi-annually. Ceiling amount of TRY 4,092.53 which is effective since 1 January 2016 is used in the calculation of Group's provision for retirement pay liability.

Probability has been determined as 100% for employees whose insurance register began before September 1999 (208 personnel) and the provision has been calculated accordingly. Total actuarial loss has been determined as TRY 1,892 and recognized directly in equity.

The movement termination pay provision as of 31 December 2015 and 2014 is as below:

	31 December 2015	31 December 2014
Provision at 1 January	2.062	2.408
Service cost	4.365	3.030
Interest cost	75	89
Actuarial (gain) / loss	1.892	214
Termination benefits paid	(4.307)	(3.679)
	<b>4.087</b>	<b>2.062</b>

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 457 or (increase) by TRY 537.

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 274 or (decrease) by TRY 130.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 14 – PROVISIONS

The details of the other current provisions as of 31 December 2015 and 2014 are presented below:

	31 December 2015	31 December 2014
Litigation provisions <sup>(1)</sup>	1.520	541
Tedarikçilerden doğan şüpheli alacaklar karşılığı	-	-
Other	868	550
	<b>2.388</b>	<b>1.091</b>

<sup>(1)</sup> Litigation provisions are composed of consumer and employment lawsuits filed against the Group.

### NOTE 15 – COMMITMENTS

#### *Operating lease agreements*

The Group 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.

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

	31 December 2015	31 December 2014
Less than 1 year	67.272	71.286
Between 1-5 years	678.737	586.540
More than 5 years	131.730	140.305
	<b>877.739</b>	<b>798.131</b>

#### *Custom duty and penalty*

Some of the previous years' air conditioner imports of the Group are being investigated by Customs Consultancy Inspector within two different investigations as of 31 December 2015. 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. 116 of these lawsuits amounting to TRY 8,926 is still ongoing.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 15 – COMMITMENTS (Continued)

#### *Custom duty and penalty (Continued)*

A part amounting TRY 4,108 which was arisen from first investigation, has completely resulted in the Group's favor in domestic court, but it has been appealed against by Customs Office. 24 lawsuits with the amount of TRY 2,527 has resulted against in appellate review; however it has been appealed for correction request by the Group. Decisions of 40 lawsuits with the amount of TRY 1,510 have been approved to the Group's favor, but Customs Office has appealed for correction request regarding these decisions. Adjudication process for a part amounting TRY 4,037 is still ongoing.

A part amounting TRY 1,925 of lawsuit amounting TRY 4,937 which is in the scope of second investigation has resulted in the Group's favor by domestic court as well as 11 lawsuits with the amount of TRY 47 of this amount is not risky anymore. 24 lawsuits amounting TRY 1,877 are approved in the Group's favor, however Customs Office has appealed for correction request. A part with the amount of TRY 3,012 has been lost in domestic court. The Group appealed against the decision, the decision is finalized in the favor of Customs Office. However the Group has appealed against these decisions. For this amount, lawsuit is still ongoing.

The Group Management has accounted TRY 5,157 of income accrual regarding such tax penalties in the consolidated financial statements at 31 December 2015 based on the opinions of the legal counsels and customs experts and based on the fact that there are previous lawsuits finalized in favor of the Group. Therefore the Group recorded this amount at "Other Fixed Assets" (Note 16).

#### *Competition Board Investigation*

The Competition Board resolved to commence a prosecution by the resolution no. 15-08/108 dated February 19, 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 July 7, 2015 of the inquiry has been extended as consumer electronics and has been consolidated with former investigation. Also for this investigation statement has been mentioned.

By the resolution no. 15-28/319-M dated July 7, 2015 Kliksa İç ve Dış Ticaret A.S. has been included to the investigation and mentioned their statement identically.

The prosecution decisions resolved by the Competition Board are brought to the public attention after the pronouncement of the decision to the undertakings or association of undertakings against which the prosecution is started. These explanations which are made within the scope of informing of the public about the decisions of the Competition Board cannot be interpreted as that the undertakings or association of undertakings against which the prosecution is started have violated Law no. 4054 or they are punished or will be punished. The Company executes its transactions within the Competition Law and other regulations.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 15 – COMMITMENTS (Continued)

#### *Collateral, pledge, mortgage position*

Collaterals, pledges and mortgages ("CPM") given by the Group as of 31 December 2015 and 2014 is as follows:

CPMs given by the Group	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	-	-	-	-
<b>Total</b>	<b>54.601</b>	<b>7.717</b>	<b>5.059</b>	<b>16.088</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 15 – COMMITMENTS (Continued)

	TRY equivalent	31 December 2014		
		USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	36.167	2.995	5.117	14.788
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	36.167	2.995	5.117	14.788
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	-	-	-	-
<b>Total</b>	<b>36.167</b>	<b>2.995</b>	<b>5.117</b>	<b>14.788</b>

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 2015 is 0% (31 December 2014: 0%).

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 16 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current and non-current assets as of 31 December 2015 and 2014 are presented below:

<i>Other current assets</i>	31 December 2015	31 December 2014
Advances given	2.121	1.522
Other current assets	91	133
	<b>2.212</b>	<b>1.655</b>

<i>Other non-current assets</i>	31 December 2015	31 December 2014
Deferred VAT	13.746	8.785
Income accrual (Note 15)	5.157	5.157
	<b>18.903</b>	<b>13.942</b>

The details of the other current liabilities as of 31 December 2015 and 2014 are presented below:

<i>Other current liabilities</i>	31 December 2015	31 December 2014
VAT payable	20.519	23.054
Other expense accruals <sup>(1)</sup>	3.113	890
Other liabilities and obligations	873	767
	<b>24.505</b>	<b>24.711</b>

<sup>(1)</sup> Other expense accruals consist of rent expense accruals, provision expenses for insurance policies, sales premium provisions of dealers, and provisions for other miscellaneous expenses.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 17 – EQUITY

The Group's approved and issued share capital consists of registered nominal value of TRY 0.10 with 110,000,000 outstanding.

The details of the share capital of 31 December 2015 and 2014 are presented below:

Shareholders:	%	31 December 2015	%	31 December 2014
Hacı Ömer Sabancı Holding A.Ş.	60,28	66.311	60,28	66.311
Sabancı Family	28,06	30.864	29,72	32.689
Publicly traded on Borsa İstanbul	11,66	12.825	10,00	11.000
Nominal capital	100,0	110.000	100,0	110.000
Adjustments to nominal capital		6.628		6.628
<b>Adjusted capital</b>		<b>116.628</b>		<b>116.628</b>

### Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group (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" according to Capital Markets Board financial reporting standards. The details of legal reserves are stated below as of 31 December 2015 and 2014:

	31 December 2015	31 December 2014
Legal reserves	8.704	7.161
	<b>8.704</b>	<b>7.161</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 17 – EQUITY (Continued)

#### 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 2015 and 2014 are stated below:

<i>Sales income (net)</i>	1 January – 31 December 2015	1 January – 31 December 2014
Consumer electronics retail sales	3.044.708	2.923.623
Sales of air conditioner, cash registers and white goods	122.457	94.637
	<b>3.167.165</b>	<b>3.018.260</b>
<i>Cost of sales</i>		
Cost of goods sold	(2.608.028)	(2.462.051)
Installation and warranty expenses	(7.825)	(5.322)
	<b>(2.615.853)</b>	<b>(2.467.373)</b>



# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 19 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing and administrative expenses as of 31 December 2015 and 2014 are stated below:

<i>Marketing expenses</i>	1 January – 31 December 2015	1 January – 31 December 2014
Rent expenses	(164.842)	(161.054)
Personnel expenses	(148.155)	(139.568)
Advertising and promotion expenses <sup>(1)</sup>	(83.959)	(56.959)
Transportation expenses	(28.788)	(31.349)
Depreciation and amortization expenses	(26.065)	(26.693)
Energy, fuel and water expenses	(15.107)	(15.223)
Consulting expenses	(8.349)	(8.610)
Maintenance expenses	(8.099)	(7.000)
Communication expenses	(1.288)	(1.914)
Travel expenses	(1.529)	(1.275)
Other expenses	(13.565)	(13.035)
	<b>(499.746)</b>	<b>(462.680)</b>

<sup>(1)</sup> In 2015, the amount of TRY 5,447 has been recognized as an expense for gift vouchers which were given to Teknosamobil subscribers during the period. The amount of TRY 11,526 which belongs to the commitment period of 2016 has been recognized as expense in December 2015.

The details of administrative expenses as of 31 December 2015 and 2014 are stated below:

<i>Administrative expenses</i>	1 January – 31 December 2015	1 January – 31 December 2014
Personnel expenses	(16.657)	(17.432)
Depreciation and amortization expenses	(15.597)	(10.068)
IT expenses	(7.288)	(6.705)
Rent expenses	(6.104)	(4.606)
Consulting expenses	(4.448)	(2.513)
Allowance for doubtful receivable expense	(3.652)	(911)
Travel expenses	(458)	(617)
Energy, fuel and water expenses	(494)	(561)
Maintenance expenses	(439)	(282)
Other expenses	(2.129)	(2.692)
	<b>(57.266)</b>	<b>(46.387)</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 20 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities as of 31 December 2015 and 2014 are stated below:

<i>Other income from operating activities</i>	1 January – 31 December 2015	1 January – 31 December 2014
Discount income	6.087	2.768
Foreign exchange gains	5.963	3.383
Commission income	3.986	-
Deductions from personnel	759	667
Gift vouchers income	679	125
Other income	1.978	2.968
	<b>19.452</b>	<b>9.911</b>

The details of other expenses from operating activities as of 31 December 2015 and 2014 are stated below:

<i>Other expenses from operating activities (-)</i>	1 January – 31 December 2015	1 January – 31 December 2014
Discount expenses	(43.348)	(38.802)
Impairment losses of tangible and intangible assets	(29.808)	(10.619)
Restructring expenses <sup>(1)</sup>	(10.876)	(2.000)
Foreign exchange losses	(5.444)	(4.531)
Litigation expenses	(3.239)	(479)
Commission expenses	(1.017)	(1.524)
Store evacuation expenses	(859)	-
Donation and aids	(154)	(47)
Taxes, duties, charges and funds	(32)	(47)
Other expenses	(2.401)	(2.046)
	<b>(97.178)</b>	<b>(60.095)</b>

<sup>(1)</sup> 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 its subsidiary Kliksa A.S. for the aim of improving its financial performance. Hence, the Group provided provision for anticipated expenses.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 21 – INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities as of 31 December 2015 and 2014 are stated below:

	1 January – 31 December 2015	1 January – 31 December 2014
Interest income	3.879	6.566
	<b>3.879</b>	<b>6.566</b>

### NOTE 22 – FINANCIAL EXPENSES

The details of financial expenses as of 31 December 2015 and 2014 are stated below:

	1 January – 31 December 2015	1 January – 31 December 2014
Credit card commission expenses	(11.694)	(13.926)
Interest and commission expenses	(7.410)	(4.314)
Credit card promotion expenses	(3.650)	(3.755)
Guarantee letters commission expenses	(244)	(138)
Other finance expenses	(219)	(117)
	<b>(23.217)</b>	<b>(22.250)</b>

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

Current tax liability	31 December 2015	31 December 2014
Current corporate tax provision	-	4.747
Less: prepaid taxes and funds	(460)	(3.312)
<b>Net liability to tax <sup>(1)</sup></b>	<b>(460)</b>	<b>1.435</b>

<sup>(1)</sup> Prepaid tax amounting to TRY 460 has been presented in "Assets related to current tax" account on the consolidated balance sheet.

Tax provision	31 December 2015	31 December 2014
Current corporate tax expense	-	4.747
Deferred tax expense / (income)	(8.191)	(8.820)
	<b>(8.191)</b>	<b>(4.073)</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### *Corporate Tax*

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated 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 2015 is 20% (2014: 20%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2015 is 20%. (2014: 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 Group 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% (2014: 20%) is used.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### Deferred Tax (Continued)

<i>Deferred tax assets / (liabilities)</i>	31 December 2015	31 December 2014
Reversal of income accruals arising from additional guarantees	8.788	7.964
Tax losses carried forward	9.285	9.178
Expense accruals	2.726	2.498
Inventories	4.822	3.135
Provision for restructuring expense	6.730	400
Impairment of financial assets <sup>(1)</sup>	-	1.115
Provision for employment termination benefits	812	412
Discount expenses	33	56
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(6.795)	(6.362)
Income accruals	(1.073)	(1.584)
Discount income	(1.082)	(633)
Derivatives	(72)	-
Other	396	(107)
	<b>24.570</b>	<b>16.072</b>

<sup>(1)</sup> As of 31 December 2007, the Group has provided provision for the total financial asset value of Primex S.A. amount of TRY 5,575, in which the Group invested 51% in 2006. In 2014, the related company has been liquidated and its deferred tax assets has been reversed in 2015.

The details of deferred tax asset movement table as of 31 December 2015 and 2014 are stated below:

<i>Deferred tax asset movement</i>	1 January – 31 December 2015	1 January – 31 December 2014
Opening balance at 1 January	16.072	7.209
Charged to equity	307	43
Deferred tax income	8.191	8.820
<b>Closing balance at 31 December</b>	<b>24.570</b>	<b>16.072</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### *Deferred Tax (Continued):*

At the balance sheet date, the Group has unused tax losses of TRY 46,425 (2014: TRY 45,545) available for offset against future profits. A deferred tax asset has been recognized in respect of TRY 9,285 (2014: TRY 9,178) of such losses.

Expiration schedule of carried forward tax losses is as follows:

	31 December 2015	31 December 2014
Expiring in 2015	-	223
Expiring in 2016	-	291
Expiring in 2017	-	4.414
Expiring in 2018	-	11.337
Expiring in 2019	6.310	29.280
Expiring in 2020	40.115	-
	<b>46.425</b>	<b>45.545</b>

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

	1 January – 31 December 2015	1 January – 31 December 2014
[Loss] / profit from continuing operations before tax	(102.764)	(24.048)
Effective tax rate	%20	%20
Calculated tax	20.553	4.810
Tax effects of:		
- non-deductible expenses	(1.335)	(845)
- 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	(152)	108
<b>Tax income / (expense) recognised in the statement of profit or loss</b>	<b>8.191</b>	<b>4.073</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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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:

<u>Earning per share</u>	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Weighted average number of ordinary shares outstanding during the period (in full)	110.000.000	110.000.000
Net (loss) / profit for the year attributable to owners of the company/Group	(94.573)	(19.975)
Basic (loss) / earnings per share from continuing operations		
-thousands of ordinary shares (TRY)	(0,860)	(0,182)

### NOTE 25 – FINANCIAL INSTRUMENTS

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

#### *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.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

#### Fair value estimation

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

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

As of 31 December 2015, The Group does not have any private sector bonds which are quoted in "interbank bond market" (2014: 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 INSTRUMENTS

	31 December 2015		31 December 2014	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	360	-	-	-
Short-term	360	-	-	-
Long-term	-	-	-	-
	<b>360</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Group utilizes foreign currency forward contracts with the maturities of 2016 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 Group is committed are as follows:

	31 December 2015	31 December 2014
Foreign currency forward contracts	149.643	-
	<b>149.643</b>	<b>-</b>

At 31 December 2015, the fair value of the Group's foreign currency forward contracts is estimated to be approximately TRY 360 (2014: None). 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 (2014: None).



# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### a) Capital risk management

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

#### 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 Group has is not exposed to credit risk concerning credit card receivables. The Group collects the instalments of its credit card sales according to the mutually agreed discount rates with the banks and financial institutions on the 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 Group has set up an effective control system on the dealers that are followed by credit risk management and each debtors have their own credit limit. The Group consider the past experience and collateral from dealers (Note 6).

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**NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

*b. 1) Credit risk management*

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

31 December 2015	Receivables		
	Related Party	Other	Deposits at banks
The maximum credit risk exposure as of reporting date <sup>(1)</sup>	2.008	49.195	290.264
- Collateralised part of maximum credit risk <sup>(1)</sup>	-	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	-	-	-

<sup>(1)</sup> The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

<sup>(1)</sup> Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

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**NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

b. 1) Credit risk management (continued)

The table which reflects the Group's credit risk regarding the financial instruments as of 31 December 2014 is as follows:

31 December 2014	Receivables		
	Related Party	Other	Deposits at banks
The maximum credit risk exposure as of reporting date <sup>(*)</sup>	3.999	22.833	177.250
- Collateralised part of maximum credit risk <sup>(**)</sup>	-	7.082	-
A. Net carrying value of neither overdue nor impaired financial assets	3.999	21.406	177.250
B. Net carrying value of overdue but not impaired assets	-	1.427	-
C. Net carrying value of impaired assets	-	-	-
- Overdue (gross carrying value)	-	2.215	-
- Provision for impairment (-)	-	[2.215]	-
- 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	-	-	-

<sup>(\*)</sup> The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

<sup>(\*\*)</sup> Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

Explanations on the credit quality of financial assets

As of 31 December 2015 and 2014, 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 Group 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 2015	31 December 2014
1-30 days overdue	-	-
1-3 months overdue	3.500	714
3-12 months overdue	997	713
1-5 years overdue	-	-
More than 5 years overdue	-	-
<b>Total overdue receivables</b>	<b>4.497</b>	<b>1.427</b>
<b>Amount of risk covered by guarantees</b>	<b>1.441</b>	<b>458</b>

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### NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 Group aims at maintaining flexibility in funding by keeping committed credit lines available. The Group management monitors the Group's liquidity reserve movements according to their projected cash flows.

The Group management holds adequate cash, credit commitment and credit card receivables that will meet the need for cash for recent future in order to manage its liquidity risk. In this context, the Group has credit commitment agreements (monetary and non-monetary) from banks amounting to TRY 1,613,789 that the Group can utilize whenever needed as of 31 December 2015 (2014: TRY 1,255,415).

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

31 December 2015

Contractual maturities	Carrying value	Contractual cash flows (+/-II+III)	Less than 3 months (I)	3 months to year (II)	1 - 5 years (III)
<b>Non-derivative financial liabilities</b>					
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>	1.014	1.014	1.014	-	-
<b>Total liabilities</b>	<b>871.742</b>	<b>877.609</b>	<b>877.609</b>	<b>-</b>	<b>-</b>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**  
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**NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

*b.2) Liquidity risk (continued)*

31 December 2014

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)
<b>Non-derivative financial liabilities</b>					
Trade payables	691.683	695.722	695.722	-	-
<i>Related party</i>	7.321	7.321	7.321	-	-
<i>Third party</i>	684.362	688.401	688.401	-	-
Other payables	802	802	802	-	-
<i>Other</i>	802	802	802	-	-
<b>Total liabilities</b>	<b>692.485</b>	<b>696.524</b>	<b>696.524</b>	<b>-</b>	<b>-</b>

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Foreign Currency Risk

The Group 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 Group also preserves itself from the foreign currency risk by the limited use of forwards, one of derivative instruments, if necessary.

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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	-	-	-
<b>4. CURRENT ASSETS</b>	<b>1.986</b>	<b>669</b>	<b>12</b>	<b>-</b>	<b>109</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	11	-	-	-	442
<b>8. NON CURRENT ASSETS</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>442</b>
<b>9. TOTAL ASSETS</b>	<b>1.997</b>	<b>669</b>	<b>12</b>	<b>-</b>	<b>551</b>
10. Trade payables	4.588	824	690	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	986	339	-	-	-
12b. Non monetary other liabilities	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>5.574</b>	<b>1.163</b>	<b>690</b>	<b>-</b>	<b>-</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>5.574</b>	<b>1.163</b>	<b>690</b>	<b>-</b>	<b>-</b>
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)	(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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## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 27- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign Currency Position	31 December 2014				
	Equivalents of TRY	USD	Euro	GBP	Other
1. Trade receivable	3.233	1.183	173	-	109
2a. Monetary financial assets	1.195	507	7	-	-
2b. Non monetary financial assets	-	-	-	-	-
3. Other	24	9	1	-	-
<b>4. CURRENT ASSETS</b>	<b>4.452</b>	<b>1.699</b>	<b>181</b>	<b>-</b>	<b>109</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. NON CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. TOTAL ASSETS</b>	<b>4.452</b>	<b>1.699</b>	<b>181</b>	<b>-</b>	<b>109</b>
10. Trade payables	6.941	1.408	1.302	1	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	1.822	338	368	-	-
12b. Non monetary other liabilities	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>8.763</b>	<b>1.746</b>	<b>1.670</b>	<b>1</b>	<b>-</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>8.763</b>	<b>1.746</b>	<b>1.670</b>	<b>1</b>	<b>-</b>
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+19)	(4.311)	(47)	(1.489)	(1)	109
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(4.335)	(56)	(1.490)	(1)	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	-	-	-	-	-

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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### NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

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 (-)	-	-
<b>3- USD net effect (1 +2)</b>	<b>(145)</b>	<b>145</b>
In case 10% appreciation of EUR against TRY		
4- EUR net assets/liabilities	(215)	215
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(215)</b>	<b>215</b>
In case 10% appreciation of other currency against TRY		
7- Other currency net assets/liabilities	(1)	1
8- Amount hedged for other currency risk (-)	-	-
<b>9 - Other currency assets net effect (7+8)</b>	<b>(1)</b>	<b>1</b>
<b>TOTAL (3 + 6 + 9)</b>	<b>(361)</b>	<b>361</b>

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## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign Currency Sensitivity Table	31 December 2014	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TRY	(13)	13
1 - USD Dollars net assets/liabilities	-	-
2- Amount hedged for USD risk (-)	(13)	13
<b>3- USD net effect (1 +2)</b>		
In case 10% appreciation of EUR against TRY	(420)	420
4 - EUR net assets/liabilities	-	-
5 - Amount hedged for EUR risk (-)	(420)	420
<b>6- EUR net effect (4+5)</b>		
<b>TOTAL (3 + 6)</b>	<b>(433)</b>	<b>433</b>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**  
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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 2015	Loans and receivables	Derivative financial instruments	Financial liabilities at amortized cost	Carrying value	Note
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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
<b>31 December 2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	192,998	-	-	192,998	5
Trade receivables (including trade receivables from related parties)	26,832	-	-	26,832	6
Other receivables (including trade receivables from related parties)	710	-	-	710	7
<b>Financial liabilities</b>					
Trade payables (including trade payables to related parties)	-	-	691,683	691,683	6
Other payables (including trade payables to related parties)	-	-	802	802	7

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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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 Group'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 2015	31 December 2014				
Foreign currency forward contracts	360	-	Level 2	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.	-	-

# TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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### NOTE 29 – EVENTS AFTER THE REPORTING PERIOD

The Group has reviewed its strategy and resolved that Kliksa.com will continue its operations as an outlet channel of Teknosa.com. Therefore, its resources have been revised to meet the new requirements. Accordingly, the Company increased the share capital of Kliksa by TRY 80,000 from TRY 50,000 to a level of TRY 130,000 on 5 February 2016.

The Group has opened 1 new store in İzmit and closed 3 stores in Izmir, Uşak and Gaziantep from balance sheet date to 12 February 2016. Also the Group generated store revision in Mersin between the balance sheet date and 12 February 2016. The related changes decreased the retail sales area of the Group by 254 meter squares.



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