TECHNOLOGY FOR EVERYONE

2013 ANNUAL REPORT

CONTENTS

Introducing technology to Turkey, TeknoSA once again managed to exceed its 2013 targets and was one of the most profitable companies trading on the BIST 100. The Company achieved growth in turnover, profits and market share during the year. Offering a unique retail experience with varied and distinct store concepts, TeknoSA also recorded a four-fold increase in online sales.

In 2013, TeknoSA continued to enliven Turkey's economy, the retail industry and society as a whole with its achievements.

TEKNOSA AT A GLANCE

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

TeknoSA has achieved steady growth since its foundation, and thanks to its widespread penetration, superior service quality, and product diversity, it has sustained its leading role among the electronics retailers in Turkey.

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

TeknoSA will continue to offer its customers fast, reliable, uninterrupted, and high quality service through its 294 stores spread across 77 cities, its online stores, teknoSA.com and kliksa.com., and with its after-sales support team.

MARKET LEADER OF THE ELECTRONICS RETAILING INDUSTRY

14%

TeknoSA's growth forecast for the year 2014 is higher than the industry average, and the Company aims to increase its market share from 14% to 20% in the long term.

ROBUST NET SALES VOLUME

2,957

With turnover of TL 2,957 million, TeknoSA further solidified its market leadership position in Turkey.

DESPITE INTENSE COMPETITION, COMPARABLE NET PROFIT HAS INCREASED BY

19%

TeknoSA posted net profit of TL 57 million, and its comparable net profit increased by 19%.

The biggest and the most widespread technology retailer chain in Turkey

NUMBER OF CITIES

77

TOTAL RETAIL SPACE (THOUSAND M²)

166

NUMBER OF STORES

294

STRONG NET CASH POSITION (TL MILLION)

320

Operating with negative working capital, TeknoSA had TL 320 million in cash as of December 31, 2013.

HIGHLY QUALIFIED EMPLOYEES, WHO HAVE ALL RECEIVED TRAINING AT TEKNOSA ACADEMY

4,150

As of year-end 2013, TeknoSA operated 294 stores and employed about 4,150 personnel.

COMPETITIVE E-COMMERCE PLATFORMS

teknosa.com
kliksa.com

RECORD GROWTH FROM TEKNOSA IN 2013

Having celebrated its 13th anniversary in 2013, TeknoSA is the first and the most widespread technology retailer chain in Turkey.

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

Embracing the philosophy “Technology for Everyone”, TeknoSA continues to take solid steps to advance in its sector 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. Always adhering to the principles of high quality and growth, TeknoSA is a pioneering and leading Electronics Retailer that embraces the future together with its employees, stakeholders, and customers.

TeknoSA runs its operations under three groups, namely retailing, dealer network, and e-commerce. The retail stores offer consumer electronics, photo, IT, telecom, and white goods. Having celebrated its 13th anniversary in 2013, TeknoSA is Turkey’s first, and the most widespread electronics retailer. The Company launched its operations in 2000 with five stores, and currently operates across 77 cities with 294 stores, covering a retail space of over 166 thousand m², and with 4,150 employees.

The dealer network on the other hand, offers customers air conditioners, Sharp branded refrigerators white goods, and cash registers. Air conditioner sales are carried out under the İklimSA brand.

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

Embracing the philosophy "Technology for Everyone", TeknoSA continues to take solid 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.

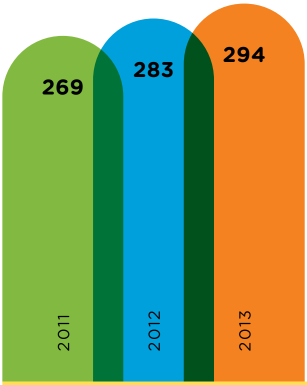
Having further strengthening its market leadership position in 2013, TeknoSA achieved significant growth in both profitability and turnover.

TeknoSA shares have been trading on the Istanbul Stock Exchange since May 17, 2012.

In 2013 TeknoSA not only strengthened its sector leadership, but also achieved significant growth in terms of both profitability and turnover. With a turnover of TL 2,957 million in 2013, the Company further strengthened its market leadership.

TeknoSA reported a net profit of TL 57 million, corresponding to a 19% increase in comparable net profit. Additionally, the Company's EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) also increased by 12%. TeknoSA's market share among TSS (Technology Super Stores) is 38%, and its overall market share is 14%. Operating with negative working capital, TeknoSA has TL 320 million in cash as of December 31, 2013.

TeknoSA estimates that the overall market will continue to grow over the next five years, and predicts that its 2014 growth will surpass that of the overall market. The Company plans to increase its market share to 20% from 14% in the long term. Embracing the slogan "Technology for Everyone," TeknoSA continues to advance in the sector by taking solid steps thanks to the Company's widespread market penetration, superior service quality, reliability, product diversity as well as its dynamic, innovative, and entrepreneurial organizational structure.



NUMBER OF STORES

294

TeknoSA started operations in 2000 with five retail stores, and as of year-end 2013, the Company operates in 77 cities with 294 stores, covering a retail space of 166 thousand square meters, and employing 4,150 personnel.

AN INNOVATIVE AND YOUNG COMPANY THAT CREATES DIFFERENCE

Vision

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

Mission

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

Values

TeknoSA is a young and dynamic company that prioritizes customer satisfaction, 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 that 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 that always conducts assessments for further improvement, with an innovative approach.

Complaints Policy

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

TEKNOSA, THE SHINING STAR OF 2013

TeknoSA's online store teknosa.com was named the "Technology-focused E-commerce Website of the Year" at the 2013 Webrazzi Awards, where 259 candidates competed in 30 different categories.

TeknoSA is the "Favorite Brand of Customers"
According to the results of the "Customers' Choice of Top Brands at Shopping Centers" survey, conducted by the Association of Shopping Center Investors (AYD) and GFK for the fifth time in 2013, TeknoSA was selected the favorite and the most preferred brand of customers in the "Electronics Retailer" category.

Teknosa.com named as the "Technology-focused E-commerce Website of the Year"
TeknoSA was among the leading brands that left their mark at the Webrazzi Awards, where the Turkey's best initiatives, brands and companies receive recognition for their accomplishments. At the Webrazzi Awards, 259 candidates competed in 30 different categories, and TeknoSA's online store teknosa.com was named the "Technology-focused E-commerce Website of the Year."

Teknosa.com once again displayed its market dominance by receiving one-third of the votes in this category. TeknoSA also proved successful in the categories of “Best Use of Social Media” and “Digital Marketing Campaign of the Year” with its commercial “High Tech Mothers.”

TeknoSA named as the “Favorite Technology Store in Turkey”

Turkey’s favorite digital brands survey conducted by DigitalAge and IPSOS revealed the country’s most favored brands in 18 categories. Survey respondents consisted of 900 females and males between the ages of 15 and 60, representing the opinions of the entire range of the Turkish population. According to the results of the survey, TeknoSA was selected as the “Favorite Technology Store in Turkey.”

TeknoSA Ranked among the Top 20 brands in the “Social Brands 100” List

TeknoSA ranked 17^{th} in the “Social Brands 100” list announced by Ekonomist Magazine and Brandwatch, a UK based research firm. This survey measures the social media performance of companies. TeknoSA is the social media leader in its industry with over 1.8 million Facebook fans and about 170 thousand Twitter followers.

Award to “Technology for Women” project

With its “Technology for Women” initiative, TeknoSA, Turkey’s leading technology retailer, won a CSR award in the “Corporate Benefits” category at the European Corporate Social Responsibility Awards. Carried out in collaboration with the Habitat Center for Development and Governance, the “Technology for Women” project aims to introduce women across Turkey to technology. More than 13 thousand women in 49 cities have participated in free computer classes since the initiative commenced.

TeknoSA garnered the gold award in the "Master Owl" category at the Owl Awards, which was organized by the Turkish Researchers' Association (TUAD) for the first time in 2013.

"TeknoSA's Angels" Stores were opened

In order to contribute to women's employment opportunities and change the public perception that "technology is for men," TeknoSA started to open stores that are staffed by women only. Employing more than 4,000 specialists company-wide, TeknoSA will continue to increase the number of female employees on its sales teams in the coming period.

"High Tech Mothers" Commercial Collects Digital Awards

TeknoSA's "High Tech Mothers" commercial created for Mother's Day made a huge splash at the 25th Crystal Apple Festival of Creativity, and won the Crystal Apple Award in the Viral Project/ Durables category.

The commercial also received first prize in the categories of "Retail and E-Commerce" and "The Most Creative Viral Project" at the Mediacat Felis Awards, and two merit awards in the categories of "Target Audience/Women" and "Retail, Restaurant, Fast Food, Shopping Mall, E-Commerce, Tourism, Entertainment and Transportation."

TeknoSA Wins "Master Owl" Award with Its Store Design Research

TeknoSA garnered the gold award in the "Master Owl" category at the Owl Awards, which was organized by the Turkish Researchers' Association (TUAD) for the first time in 2013. The 22-member jury, which included the presidents of the Turkish Researchers' Association, Advertising Association of Turkey and the Turkish Advertising Foundation, evaluated the best research practices in six categories: "Curious Owl," "Master Owl," "Visionary Owl," "Insightful Owl," "Innovative Owl" and "Social Owl." With its Metrocity Extra store concept developed under the Company's "Technology Market - Store Design Research" initiative, TeknoSA received the gold award in the category of "Master Owl." The Owl Awards recognizes successful research practices that have influenced decision-making processes and enabled the achievement of business targets.

TeknoSA Wins the "Best Annual Report Award"

TeknoSA's 2012 Annual Report received the "Platinum Award" at the LACP Vision Awards, held by the League of American Communications Professionals-LACP to recognize the world's best annual reports in various categories. TeknoSA's Annual Report also won the "Regional Merit Award" and ranked 42nd in the list of "Top 100 Annual Reports Worldwide" covering all categories.

TeknoSA continues to be the Most Admired Technology Market

According to the results of "The Most Admired Companies in Turkey" survey, conducted by Capital Magazine for the last 13 years, TeknoSA maintained its top spot in the Technology Market category.

Starting out with the idea of developing the most appropriate business model for the domestic market, TeknoSA began operations with five retail stores in 2000. Since then, the Company has continually acted as the pioneer in the establishment and development of Turkey's organized electronics retailing industry.

MILESTONES

2000
- TeknoSA began operations with five retail stores.

2003
- The website www.teknosa.com launched.
- The number of stores rose to 80.

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

2008
- TeknoSA Academy received the "Best Human Resources Program" award at the Retail Sun Awards.
- The Turuncu Kart (Orange Card) loyalty program was met with the customers.

2009
- "Exxtra" stores were opened.
- ISO 27001 (Information Security Management) certification was received.

2010

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

2011

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

2012

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

2013

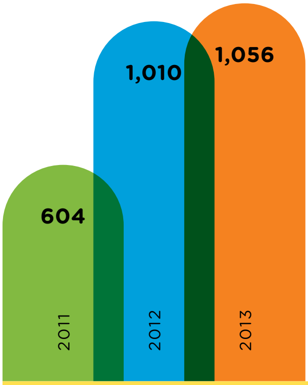
- The Company set its 2023 vision as becoming one of the top 3 three electronics retailers in Europe.
- With a turnover reaching TL 3 billion, TeknoSA further strengthened its market leadership position in Turkey.
- The number of Turuncu Kart (Orange Card) holders climbed to 3.8 million.
- TeknoSA began to open its White Concept Stores.
- In order to prove that women can also be successful in technology, the Company started to open "TeknoSA's Angels" stores that are staffed by women only.
- TeknoSA's mobile applications for Android and iOS devices were launched

SALES VOLUME AND PROFITABILITY ALSO INCREASED IN 2013

FINANCIAL INDICATORS (TL MILLION)	**2011**	**2012**	**2013**
Net Sales	1,670	2,333	2,957
Total Assets	604	1,010	1,056
Total Shareholders' Equity	146	196	253
EBITDA	81	119	133
Net Profit	50.2	50.5	56.7
Comparable Net Profit	29.6*	47.7**	56.7

OPERATIONAL INDICATORS	**2011**	**2012**	**2013**
Retail Space (thousand m^2)	128	141	166
Number of Stores	269	283	294
Number of Visitors (million)	85	100	108
Number of Customers (million)	7.3	8.0	8.5
Average Basket Size (TL)	216	271	307

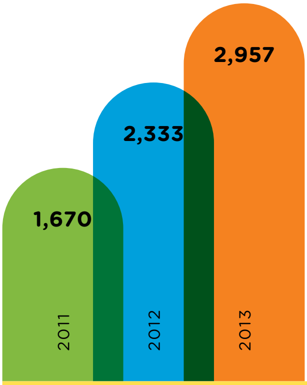
** Profit of TL 17 million generated from the Best Buy acquisition has been adjusted.*
*** A one-off reversal of TL 3 million provision set aside for store closures has been adjusted.*



TOTAL ASSETS (TL MILLION)

5%

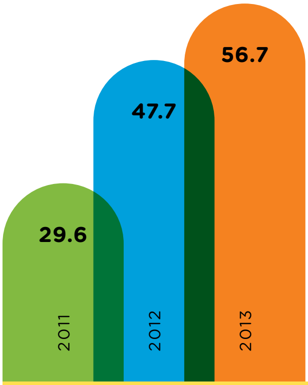
In 2013, TeknoSA increased its total assets by 5% to TL 1,056 million.



NET SALES (TL MILLION)

27%

In 2013, TeknoSA's net sales rose 27% over the previous year and climbed to TL 2,957 million.

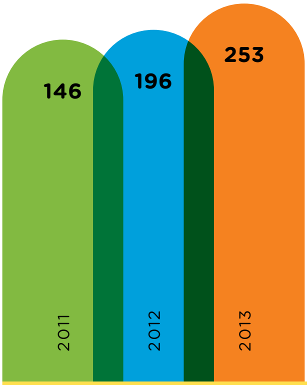


COMPARABLE NET PROFIT

(TL MILLION)

19%

TeknoSA increased its comparable net profit by 19% in 2013 to TL 56.7 million.



SHAREHOLDERS' EQUITY

(TL MILLION)

29%

In 2013, TeknoSA's shareholders' equity rose 29% to TL 253 million.

THE MOST REASONABLE PRICES AND THE BEST QUALITY SERVICE

TeknoSA has formed the framework of the electronics retailing concept, and thus set an unrivalled example for the newcomers to this nascent sector.

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

While continuously increasing its market share in electronics retailing, its main field of activity, TeknoSA also strengthens its leadership position. In 2013, the Company has a 38% market share among technology super stores, while registering an overall market share of 14%, and an increase of 19% in its comparable net profit over the same term.

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 Turuncu Kart (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.

Privileged Customer Satisfaction

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

COMPARABLE

NET PROFIT

19%

In 2013, TeknoSA captured a 38% market share among technology superstores while achieving an overall market share of 14%, as well as a 19% increase in comparable net profit over the same term.

TeknoSA stores are visited by approximately 108 million people annually. Meanwhile, the number of participants in the Turuncu Kart (Orange Card) loyalty program, which offers customers customized services and discounts in line with their purchasing preferences, has reached 3.8 million.

24/7 After Sales Support

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

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

Exclusive Offers to Customers

TeknoSA stores are visited by more than 108 million people annually. Meanwhile, the number of participants in Turuncu Kart (Orange Card) loyalty program, which offers customers customized services and discounts in line with their purchasing preferences, has reached 3.8 million. Within the frame of the Customer Relationship Management project, launched in 2008, TeknoSA has integrated the Turuncu Kart (Orange Card) loyalty program with mobile phones. Hence, the Company can interact with its customers not only at stores, but also via numerous means such as www.teknosa.com, and all incoming data can be consolidated in order to track customers more closely, and offer them better personalized services.

TeknoSA Academy

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

TeknoSA offers employees various training and personal development programs. Nearly 10,000 employees have graduated from TeknoSA Academy since its establishment.

Thanks to its modern, dynamic, innovative and entrepreneurial organizational structure, TeknoSA continues to move forward in the sector by taking solid steps while setting the standard in the domestic market.

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 2013 the Company has a sales area of over 166 thousand m^2, and a total warehouse space of 62 thousand m^2, consisting of 30 thousand m^2 of closed space. TeknoSA has the largest logistics center in its sector, located in Gebze/Istanbul, and where all logistics operations are carried out. The Company's logistics center has online connection to all stores, and all operations are carried out by utilizing information systems. Similarly at the stores, 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.

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

SUBSEQUENT EVENTS

During the period between the balance sheet date and March 3, 2014, the Company opened four new stores in Istanbul Ankara and Çorlu. With the addition of these new stores, the Company's total sales area increased by 2,178 m^2.

During the period between balance sheet and March 3, 2014, the Company closed four stores and opened four stores in Ankara, Adapazarı, Izmit and Yalova due to change of location. With the change of these stores' location, the Company's total sales area increased by 497 m^2. Meanwhile, during the same period, a store in Siirt was closed, and thus retail space decreased by 95 square meters. As of March 3, 2014, the Company operates with 297 stores and 168,447 square meters of retail space.

THE GOAL IS TO RANK AMONG THE TOP THREE IN EUROPE

Valuable investors,

While we present to you the activities and the financial statements of TeknoSA İç ve Dış Ticaret Anonim Şirketi, pertaining to the period January 1, 2013-December 31, 2013, 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.

TeknoSA achieved numerous successes in 2013 and further strengthened its market leadership position. Therefore, I would like to first congratulate and extend my gratitude to all members of the TeknoSA family before I share with you the highlights of the past year for the world, our country, the industry in general and our Company.

In 2013, the moderate recovery in the global economy finally began to be felt in the Euro Zone. Meanwhile, emerging markets, including Turkey, started out the year outperforming expectations, especially during the first two quarters. However, developments that took place in the second half of 2013 triggered financial fragility in developing countries and began to create downward pressure on their economic growth. Furthermore, the US Federal Reserve Bank's announcement that it would taper its quantitative easing program put a cap on foreign capital inflows, causing foreign currency exchange and interest rates to rise, and thus leading to a sharp decline in growth rates for emerging markets.

The Turkish economy, however, still managed to maintain its appeal among developing countries and achieved 4% growth in 2013 in line with forecasts made at the beginning of the year. Although this pace of growth remained lower than those recorded in 2010 and 2011, it was considered favorable given the fluctuations experienced in the global economy.

During the first half of the year, the consumer electronics sector recorded rapid growth in parallel with the rising economy, but the developments that took place in the third quarter negatively impacted the sector as a whole. However, the sector managed to grow by 27% in three main categories and the overall growth rate amounted to 18% when white goods sales are included. Turkey's increasing per capita income, young population and the introduction of new technologies were the main factors that led to this amazing performance along with robust demand, despite the global recession and contraction in European markets.

We are forging ahead toward realizing our vision of becoming one of the top three technology retailers in Europe by the year 2023. We moved one step closer to this goal with our solid organic growth performance in 2013.

As is now customary, TeknoSA once again grew faster than the overall sector by achieving turnover of TL 3 billion and 27% growth in 2013.

For the sector, the biggest highlight of 2013 was consolidation in the market. During the year, some foreign companies left the Turkish market, where intense competition holds sway in technology retailing. This expectation had existed for some time. On the other hand, the Banking Regulation and Supervision Agency (BRSA)'s announcement of tighter regulations to limit credit card installment payments signaled some short-term fluctuations in the sector were imminent. Nevertheless, I believe that our sector, which stands on solid ground, will successfully navigate through this changed environment as well.

The undisputed leader of Turkish technology retailing, TeknoSA once again exceeded its targets in 2013 by achieving a turnover of TL 3 billion on 27% annual growth, and, as is now customary, maintained a faster growth compared to the overall sector. With our expanding business volume and rising profits, we continued to create value for all our shareholders.

Introducing high tech products to consumers at its 294 stores in 77 cities across Turkey as well as via teknosa.com and various mobile applications, our Company's net profit rose to TL 57 million in 2013. Further, we invested TL 56 million in our stores and infrastructure so that more people could experience the advantage of TeknoSA's superior services.

TeknoSA has long been setting the standard in customer satisfaction, and in 2013, our Company continued to stand out with its efforts in this key area. We focused on expanding our multichannel infrastructure to be able to deliver a continuous customer experience. Efforts to integrate all our sales channels, physical and online, in line with the habits and expectations of our customers will be the main objective of our capital investments and the key driver of our growth in 2014.

All indicators of the current economic environment signal that 2014 will be a difficult year for the sector. However, at Sabancı Group we all maintain a strong belief in Turkey's great potential and dynamism. We have faith in the brand value of TeknoSA, its huge workforce of more than 4,000 employees, and its robust financial structure. As a result, we continue to set high performance targets for our Company.

We will continue to give top priority to innovative customer-focused efforts in order to further increase the value we create for our stakeholders; we will also continue to invest in our sales channels, human resources and technology infrastructure.

We are forging ahead toward realizing our vision of becoming one of the top three technology retailers in Europe by the year 2023, and we moved one step closer to this goal with our solid organic growth performance in 2013. In 2014, we aim to grow above the sector average and increase our market share by focusing on sustainable profitability and market leadership.

I would like to extend my sincerest thanks to all our stakeholders who have contributed to TeknoSA's superior performance and enabled our Company to set high targets for the future. I wish 2014 to be a prosperous year for both our country and our Company.

Respectfully yours,

Haluk Dinçer
Chairman of the Board of Directors

Introducing high technology products to consumers at its 294 stores in 77 cities across Turkey as well as via teknosa.com and various mobile applications, TeknoSA's net profit rose to TL 57 million in 2013.

BOARD OF DIRECTORS

Haluk Dinçer (1)
Chairman
Haluk Dinçer received his B.S. degree in Mechanical Engineering in 1985, and his M.B.A. degree in 1988, both from the University of Michigan.

He began his professional career as a Product Development Engineer at General Motors in 1985. Later he worked at Koray Yapı, Dinçer & Dinçer, and Temsa companies, serving as Director of Business Development and Foreign Relations, Board Member, Vice Chairman, and Executive Member, respectively. Mr. Dinçer joined Hacı Ömer Sabancı Holding in 2001, and is the Chairman of TeknoSA and the President of the Retail and Insurance Group since September 2004.

Temel Cüneyt Evirgen (2)
Vice Chairman
Temel Cüneyt Evirgen received a double degree in Mathematics and Electrical Engineering from Boğaziçi University in 1986. He then received his Masters degree in Marketing from the same university in 1990, and his PhD degree in International Management Studies from Michigan State University in 1995. He began his professional career as a Teaching Assistant at Boğaziçi University in 1986. Later, he worked as an Intercultural Program Assistant at the University Apartments Campus, and as a Systems Development Researcher and Consultant at International Business Center, both at Michigan State University. He then served as General Manager and Board Member at Bileşim International Research & Consultancy, as Part-time Faculty Member at Koç University, and as Director of Retail Program at Sabancı University, respectively. Mr. Evirgen is currently an Executive Member of the Professional Education and Consultancy division at Sabancı University. Between 2005 and April 2012, he was a Board Member at TeknoSA. And as of April 2012, he was appointed as Vice Chairman of TeknoSA.

Muhterem Kaan Terzioğlu (3)
Independent Board Member
Muhterem Kaan Terzioğlu graduated from Boğaziçi University, at the Department of Business Administration in 1990. He began his professional career in the same year as an Independent Auditor and CPA at Arthur Andersen Turkey. In 1992 Mr. Terzioğlu joined Arthur Andersen USA as IT Strategies and Security Specialist, and in 1994 began working at Arthur Andersen Belgium as the Leader of Information Management and Digital Strategy Services. In 1998 he returned to Arthur Andersen Turkey as Vice President of Consultancy Services Turkey Operations. Between 1999 and 2012, he served as the Team Leader of E-Commerce Strategies for the EMEA region, Sales Director of Advanced Technologies for the EMEA region, Managing Director of Technology Marketing Organization for the EMEA region, and Vice President of Central and Eastern Europe at Cisco Systems Brussels branch, respectively. Mr. Terzioğlu has been serving as an Independent Board Member at TeknoSA since April 2012.

Oğuz Nuri Babüroğlu (4)
Independent Board Member
Oğuz Nuri Babüroğlu graduated from Sussex University in 1977. He received his Master's Degree from Lancester University, and his PhD degree in Social Systems Sciences from the Wharton School of the University of Pennsylvania. He pursued his teaching career at West Chester University in USA, at Clarkson University, INSEAD, Work Research Institute, Bilkent University, and the Norwegian University of Science and Technology's EDWOR program, respectively. Mr. Babüroğlu has been teaching at Sabancı University since 1998. In 1995 he founded Arama Participatory Management Consultancy, and is also the Founding Director of Akıl Limanı Mindport Education Services. Mr. Babüroğlu has been a Board Member at ETİ Gıda Sanayi ve Ticaret A.Ş. since 2006, and an Independent Board Member at TeknoSA since April 2012.

Neriman Ülsever (5)
Board Member
Neriman Ülsever graduated from Boğaziçi University, Department of Business Administration and Operations Research in 1975. She began her professional career at Turkish Airlines in 1973, assuming several duties within that company. Ms. Ülsever later worked at Anadolu Bankası A.Ş., Emlak Bankası A.Ş., Group Sanfa, and Impexbank, respectively. Starting from 1995, she has worked at İKE Ltd. Company, of which she was the Managing Partner, and where she specialized in the areas of human resources consultancy and training. Ms. Ülsever has also worked at Indesit Company, which entered the Turkish market in 1995, assuming several duties both in Turkey and overseas. She worked in Switzerland as HR Director of Eastern European and International Markets between 1999 and 2002, and in France as HR Director of Western European Markets between 2001 and 2004. Ms. Ülsever served as HR Director in charge of the World Trade Organization in Italy between 2004 and 2006, and was the Global HR Director and Executive Committee Member of Indesit Company in Italy between 2006 and 2010. Ms. Ülsever has been a Board Member at Indesit Turkey since 1996, and was appointed as the Chairman in 2011. On May 16, 2011 he joined Sabancı Holding. Ms. Ülsever has also been serving as Board Member at TeknoSA since April 2012.

Barış Oran (6)
Board Member
Barış Oran graduated from Boğaziçi University, at the Department of Business Administration, and received his Master's degree from the University of Georgia. Mr. Oran began his professional career as an Auditor at 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. In 2011 he was appointed Director of Finance at Sabancı Holding, and since 2012 has been serving as Head of of Planning, Reporting, and Finance Department at Sabancı Holding. Mr. Oran has been a Board Member at TeknoSA since April 2012.

OUR GOAL IS TECHNOLOGY FOR EVERYONE ACROSS 81 CITIES

Esteemed Shareholders,

In 2013, the technology retailing market maintained its vitality, while TeknoSA further solidified its market leadership position with a strong growth performance. Turkey's consumer electronics market had a highly successful year, especially when compared to global and European markets, and posted an 18% expansion.

TeknoSA, the young and innovative company of Sabancı Group, once again grew more than the industry average, achieving 27% growth during the year. While our turnover rose to TL 3 billion, our capital investments totaled TL 56 million. In 2013, we continued to be the most preferred technology retailer of Turkish customers, and maintained our undisputed leadership position with a 38% market share. This performance supports our goal of becoming one of the top three technology retailers in Europe by the year 2023.

In accordance with our "Technology for Everyone" philosophy, we continued to introduce the latest technology products to our customers across Turkey with our superior quality service. By investing in new stores, we increased our retail space by 25,000 square meters to reach a total of 166,000 square meters. As of year-end, we operated 294 stores in 77 cities.

The capital investments we made in our stores and teknosa.com yielded positive results, and we introduced TeknoSA's services to some 200 million shoppers, including our Internet users. In 2013, TeknoSA accounted for five out of every 10 smart TVs, six out of every 10 3D TVs, five out of every 10 LED TVs, four out of every 10 tablet computers, and four out of every 10 smart phones sold to consumers through the technology markets channel in the country.

We initiated infrastructure projects in line with our multichannel strategy in order to further improve our customer oriented retailing approach, which has long been closely identified with TeknoSA. Step by step, we are implementing these efforts, which are aimed at creating an integrated, continuous and single customer experience across all channels and in line with customer habits and expectations. In other words, we aim to enable our customers to experience our brand directly, and not just via any channel.

In line with our "Technology for Everyone" philosophy, we continued to introduce the latest technology products to our customers across Turkey with our superior quality service in 2013.

Teknosa.com, one of the most important building blocks of our multichannel strategy, was a standout in 2013 due to its successful results. The total number of visitors to the website increased 80% over the previous year, while the site's revenue grew by 2.3 times.

In order to create a continuous customer experience, we started to allow access to the inventories of TeknoSA stores via the web, enable customers to pick up their online purchases at the stores, offer customers all kinds of after sales services at the store premises, and set up online kiosks in the stores to give customers ready access TeknoSA's wide product range. Currently, we are expanding these practices across Turkey. With our investments in after sales services, we are taking solid steps toward improving each and every stage of the customer experience.

The Turuncu Kart (Orange Card) loyalty program, one of our key initiatives for delivering a personalized customer experience and diversifying the opportunities offered to customers, continues to attract huge interest among consumers. As of year-end 2013, the number of Turuncu Kart holders had climbed to 3.8 million, while card usage in purchases rose to 65%.

Additionally, we increased our social media investments to interact more with our customers across all channels and meet their expectations rapidly. With more than 1.8 million Facebook fans and over 170 thousand Twitter followers, we continue to strengthen our bond with customers.

Teknosa.com, one of the most important building blocks of our multichannel strategy, was a standout in 2013 due to its achieving successful results. The total number of visitors to the website increased 80% over the previous year, while the site's revenue grew by 2.3 times. Further, the iOS and Android apps launched in the last quarter of the year became recommended applications in a very short time. In addition, at the 2013 Webrazzi Awards, customers chose teknosa.com as the "Technology-focused E-commerce Website of the Year."

KlikSA, the new e-commerce subsidiary we established after witnessing the rising success of teknosa.com, has grown very rapidly since March 2012, the month of its first sale, and achieved six-fold growth in 2013. Currently, more than 250 thousand products, including consumer electronics, mother & baby products, toys, automobile accessories, sports & outdoor products, watches and glasses, are sold through kliksa.com. The website solidified its market position after receiving some 23 million visitors in 2013.

Operating under the roof of TeknoSA with 215 authorized dealers in 50 cities and 222 authorized after-sales service centers in 62 cities across Turkey, İklimSA increased its turnover to TL 117 million in 2013, and thus the company further strengthened its market positioning as the "Air Conditioning Center of Turkey." The Company offers customers five different brands and about 200 models.

We owe these concrete and important achievements for the most part to our highly qualified workforce. The number of our employees rose to 4,150 with the addition of new colleagues in 2013, and thus we continued to contribute to the Turkish economy by providing employment opportunities. With nearly 10,000 graduates since its establishment in 2005, TeknoSA Academy continues to serve as the technology retailing school of the industry. In the coming period, we plan to continue investing in education in pursuit of our mission of providing a well-trained and qualified workforce to the industry.

Like all other companies under Sabancı Group, TeknoSA acts as a good corporate citizen in all of its operations and regards corporate social responsibility activities as an integral part of its core business. In addition to our "Technology for Women" and "Rare Artworks" CSR projects, both of which were initiated in 2007, we have also become the Official Technology Supplier of the National Team, and continued to provide support to sports in Turkey in 2013.

Holding a strong belief that women play a significant role in sustaining social development, our Company started to open stores that are wholly female-staffed solely in order to increase women's interest in technology. With the "TeknoSA's Angels" project, we aim to contribute to women's employment and increase their participation in technology retailing, which has historically been considered an area of expertise for men.

The added value we create for our industry and society as a whole was recognized with numerous awards, and we achieved high rankings together with Turkey's largest companies. For example, TeknoSA was selected by customers as the favorite and preferred brand in the "Electronics Retailer" category in the "Customers' Choice of Top Brands at Shopping Centers" survey, conducted by the Association of Shopping Center Investors (AYD) and GFK in 2013. Furthermore, with the "Technology for Women" project, TeknoSA won the "Corporate Benefits" award at the Corporate Social Responsibility Awards, organized by the European Commission, CSR Europe and Business in the Community. Last but not least, the Turkish Researchers' Association (TUAD) granted TeknoSA the "Master Owl" gold award for our "Technology Market - Store Design Research" initiative. All of these awards spotlight our accomplishments in different areas of our business.

Despite the macroeconomic uncertainties expected in the world and our country in 2014, TeknoSA plans to continue its investments by focusing on sustainable growth and profitability. We will continue to create value for all our stakeholders thanks to Sabancı Group's vision, our Company's strong balance sheet, competitive organizational structure, flexible business model and professional employees as well as the confidence our experience has given us.

I would like to take this opportunity to express my deepest gratitude to our employees, who have contributed to the successful performance our Company has experienced to date, our customers and business partners for their trust, and our shareholders for their unwavering support. I am confident that together we will achieve successful results in the coming year as well.

Respectfully yours,

Necil Oyman
General Manager

EXECUTIVE COMMITTEE OF TEKNOSA

EXECUTIVE MANAGEMENT OF KLİKSA

Necil Oyman (1)
General Manager
Necil Oyman graduated from Istanbul University, Faculty of Economics, Department of Econometrics in 1995. He received an MBA degree from Sabancı University in 2008. Mr. Oyman began his professional career as Sales Manager at Ericsson Turkey in 1999, and then continued to work as Foreign Markets Manager at the same company. Subsequently, he assumed the position of National Sales Manager at DanoneSA, and Sales Director at GıdaSA, respectively. Mr. Oyman joined TeknoSA in 2007, and served as Group Sales Director, Sales Director and Assistant General Manager of Sales, respectively. He is married, has two children, and speaks fluent English and French. Mr. Oyman is currently the General Manager of TeknoSA.

Z. Korhan Bilek (2)
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) and 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. Mr. Bilek is married, has one child and speaks fluent English. He joined TeknoSA in 2013 and currently serves as Finance Director.

Ayşegül Bahçıvanoğlu (3)
Strategy and Business Development Director
Ayşegül Bahçıvanoğlu 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. Bahçıvanoğlu 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. Ms. Bahçıvanoğlu speaks fluent English and French. She joined TeknoSA in 2013 and currently serves as Strategy and Business Development Director.

Cenk Öcal (4)
Sales Director (North)
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 and Regional Manager. He currently serves as Sales Director (North). Mr. Öcal is married, has two children, and speaks fluent English.

Ahmet Asaf Ozan (5)
Sales Director (South)
Ahmet Asaf Ozan graduated from Dokuz Eylül University, Department of Public Administration in 1996. He began his professional career as an Advertising Consultant at Izmir Basın Yayın in 1998, and later worked in the Accounting Department at Pilsa. After joining TeknoSA in 2000, Mr. Ozan worked as Store Manager, Regional Supervisor and Regional Manager, respectively. Mr. Ozan is married, has one child, and speaks fluent English. He currently serves as Sales Director (South).

Cemal Cem Işık (6)
Marketing Director
Cemal Cem Işık graduated from Middle East Technical University, Department of Geological Engineering in 2002. 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 and East Marmara Regions, respectively. He currently serves as Marketing Director. Mr. Işık is married, has one child, and speaks fluent English.

Revna Besler (7)
Human Resources Director
Revna Besler graduated from Boğaziçi University, Department of Psychology in 1993. In 2009, she completed the Business Strategy for HR Leaders Program at INSEAD in France. After beginning her professional career in 1993 as a Training Assistant at Intercon, Ms. Besler worked as HR Specialist at Lafarge Turkey; HR Manager at DanoneSA; HR Director at Schering-Plough, and HR Director of MerckSharpDohme (MSD) Turkey after the merger of Schering-Plough and MSD; and HR Director at Sabancı Holding, respectively. She has been a Member of the Board of Directors of PERYÖN since 2008. Ms. Besler speaks fluent English and has one child. She joined TeknoSA in 2013 and currently serves as Human Resources Director.

Seçil Özekin Erdoğan (8)
Supply Chain 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. Ms. Erdoğan is married, has two children, and speaks fluent English and German. She joined TeknoSA in 2007 as Project Development Manager, and currently serves as Supply Chain Director.

Tunç Şenyol (9)
Information Systems Director
Tunç Şenyol graduated from Istanbul Technical University, Department of Mechanical Engineering in 1992. He received an MBA degree from Marmara University in 1993. After beginning his professional career in 1993 as Treasury Expert at Garanti Factoring (as currently known), Mr. Şenyol moved on to the information technology field and worked as a Technical Expert in Atlanta, USA. He then joined Sabancı Group, and served as IT Supervisor, IT Manager, Technology Manager and Director of Operations at MarSA, GıdaSA, Sabancı Holding and BimSA, respectively. Mr. Şenyol is married, has one child, and speaks fluent English. He joined TeknoSA in 2013 and currently serves as Information Systems Director.

Nevgül Bilsel Safkan (10)
General Manager, KlikSA
Nevgül Bilsel Safkan graduated from Istanbul University, Department of Business Administration (English) in 1993. She received an EMBA degree from Boğaziçi University in 2001. After beginning her professional career in 1993 as an Audit Assistant at Arthur Andersen, Ms. Safkan worked as Financial Controller, Finance Director, Finance and IT Director, and Finance Director at Karma International, Superonline, Paxar Turkey, and MarSA, respectively. She later assumed the roles of Finance Director and Assistant General Manager of Finance at TeknoSA. Ms. Safkan is married, has one child, and speaks fluent English and German. She joined KlikSA in 2013 as General Manager.

Emel Sayınataç (11)
Finance Director, KlikSA
Emel Sayınataç graduated from Marmara University, Department of Business Administration (English) in 1993. After beginning her professional career in 1993 as an Audit Assistant at Pricewaterhouse, Ms. Sayınataç worked as Financial Controller at Finans Yatırım Ortaklığı; Financial Control Manager at Finans Yatırım and Egebank; Internal Audit Manager at TAIB Investment Bank; and Finance Manager at TeknoSA, respectively. Ms. Sayınataç is married, has two children, and speaks fluent English. She joined KlikSA in 2013 as Finance Director.

HIGH QUALITY SERVICE THROUGH MULTIPLE CHANNELS

Embracing the philosophy of "Technology for Everyone," TeknoSA offers customers thousands of technology products from hundreds of global brands through its widespread retail network.

RETAIL SALES

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

Steady Growth over the Past 13 Years

TeknoSA commenced its operations in 2000 with five stores, and as of today operates across 77 cities with 294 stores. The Company achieved steady growth within a very short period of time, and thanks to its widespread penetration, superior service quality, reliability, rapid growth, and product diversity, it became the most widespread electronics retailer in Turkey. Having started out with only 163 employees, today TeknoSA employs 4,150 people, all of whom are experts in their relative fields, and the Company continues to improve both its service quality and product portfolio.

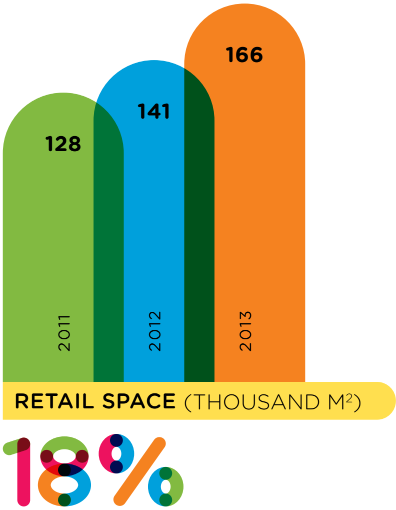
Retail Chain with Highest Penetration in Turkey

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

in addition to large-scale TeknoSA Extra and Exxtra stores, all of which reflect the Company's innovative approach.

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

İKLİMSA
As a business unit under TeknoSA, İklimSA has been offering customers the world's leading air conditioner brands at affordable prices and reasonable payment terms, since its foundation in May 2006. Aiming to standardize its high service quality, and to become the "go-to company" in the air conditioning market, İklimSA offers 24-hour service via its customer hotline 444 55 46 (44İKLİM).



In 2013, TeknoSA increased its total retail space by 18% to 166,000 square meters.

The e-commerce company KlikSA, the youngest member of Sabancı Group, has grown very rapidly since March 2012, the month of its first sale, and achieved six-fold growth in 2013.

With its wide distribution network consisting of experienced authorized dealers and after-sales service outlets spread across Turkey, İklimSA sells air conditioners, and Sharp branded refrigerators.

E-COMMERCE

The year of 2013 was one of advancements for TeknoSA in areas such as labor force, technology investments, resource transfers, and especially e-commerce. The Company has pursued a two platformed e-commerce strategy to gain share in both electronics retailing and the rapidly growing e-commerce sectors. As a result, it increased the volume of www.teknosa.com, and accelerated its investments in www.kliksa.com, launched in March 2012.

Mobile traffic increased by 4.5 fold

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

While the number of visitors to teknosa.com doubled in 2013, the number of customers shopping through mobile channels also grew rapidly. Mobile traffic increased 4.5 times when compared to 2012. The number of subscribers to the Company's iOS and Android apps exceeded 300 thousand in just four months.

KlikSA achieved six-fold growth in its first year

The e-commerce company KlikSA, the youngest member of Sabancı Group, has grown very rapidly since March 2012, the month of its first sale, and achieved six-fold growth in 2013. The website solidified its market position after receiving approximately 23 million visitors in 2013. KlikSA offers a rich variety of more than 250 thousand products primarily in consumer electronics and also other categories, including mother & baby products, toys, automobile accessories, sports & outdoor, watches and glasses with reasonable prices and with quick delivery. kliksa.com aims to maintain its growth in 2014 by increasing the number of categories and products on offer, and to deliver the products to its customers as fast as possible.

For the year 2014, the turnover target set for both www.teknosa.com and www.kliksa.com is TL 500 million in total. The Company aims to become Turkey's e-commerce leader within the next five years.

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

TeknoSA management's main principle is to carry out a transparent and close communication with the shareholders and stakeholders.

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

Disclosure Policy

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

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.

Investments
As the most widespread and accessible electronics retailer in Turkey, TeknoSA maintained its growth by investing in new stores in line with its 2013 targets. Embracing the philosophy "Technology for Everyone", TeknoSA continues its activities in 77 cities across Turkey. With 11 new stores opened in 2013, the total sales area rose to 166 thousand m^2.

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

With its "Technology for Women" project, initiated in 2007, TeknoSA has been offering free computer courses to women in various cities of Turkey.

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.

Human Resources

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

Environment

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

Since 2003, TeknoSA has been collecting electronic waste and batteries either at disposal stations located in TeknoSA stores, or by collecting such waste from customers' houses free of charge, and sending it for recycling in collaboration with Exitcom. With this initiative, the Company has helped to recycle tons of electronic waste, and thousands of batteries.

Our Company, in 2013, provided 11.067 kg of electronic waste and 878 kg of batteries to recycling while saving TL 1.3 million of energy via lighting and heating systems utilized in its stores, headquarters and Gebze warehouse.

Corporate Social Responsibility

Within the scope of the "Technology for women" project, free computer courses have been organized for women in different cities of Turkey since 2007. Since the beginning of the project more than 13 thousand women in 49 cities were given free computer courses within the scope of the project that aims to help women become effective individuals in social and cultural life and in using of technology.

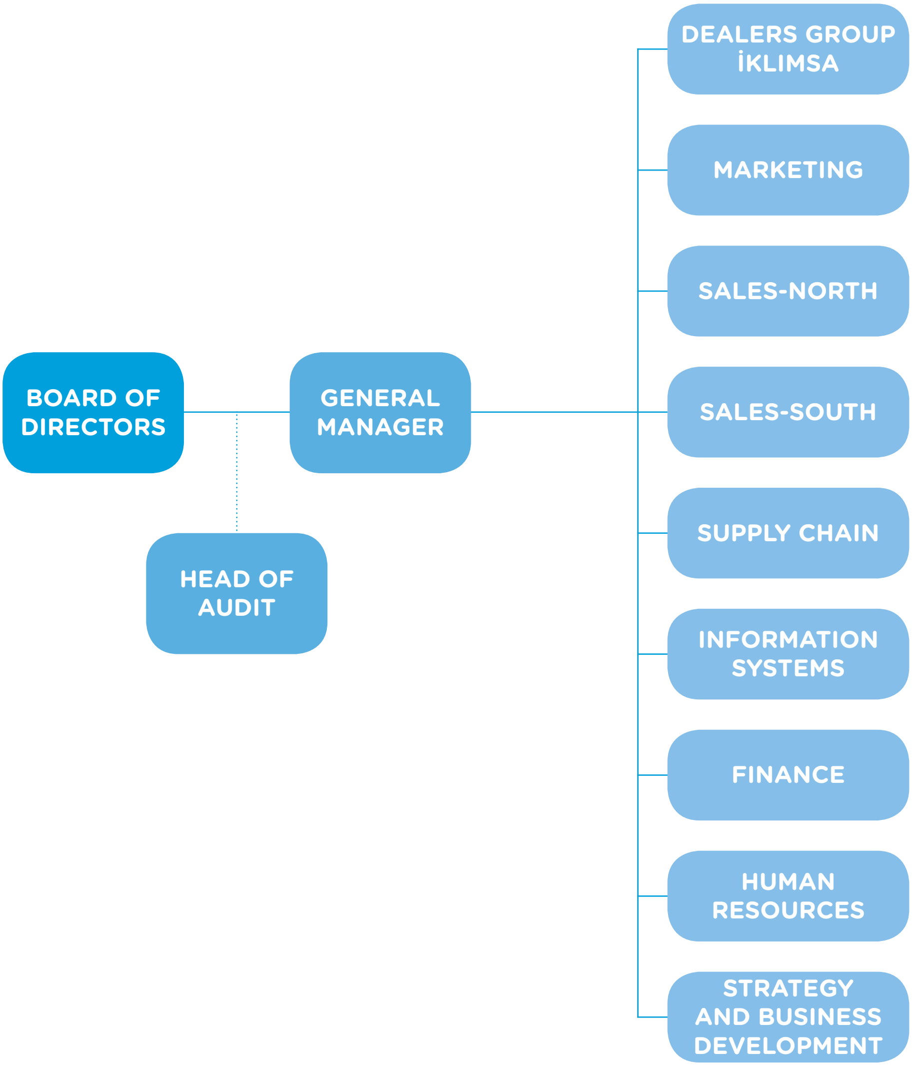
Within the scope of the rare artworks project, bearing the motto "Technology for History", TeknoSA gives technical support to the digital archiving of artworks kept in the Rare Artworks Library at Istanbul University. The project aims to help preserve nearly 100 thousand rare artworks, including books,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

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.

NATIONAL TEAM SPONSOR

TeknoSA supports many projects carried out in the fields of education, science, arts, and technology while aiming to deliver technology throughout Turkey with the motto "Technology for everyone". 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. Moreover, TeknoSA carries out corporate social responsibility projects that serve as an example to other firms in the sector.

ORGANIZATIONAL STRUCTURE



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Statement
TeknoSA, adopted the principle of complying with the 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 (Serial IV, n. 56) on "Determination and Implementation of the Corporate Governance Principles".

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

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

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

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

SECTION I- SHAREHOLDERS

2. Shareholder Relations Department
The Company's Investor Relations Unit engaged in shareholder relations is managed under the coordination of Z. Korhan Bilek, Financial Director. The Unit can be accessed at yatirimciiliskileri@teknosa.com or at +90 (216) 468 36 36 or 444 55 99, or via fax number +90 (216) 478 53 47.

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

Investor Relations Unit is in charge of carrying out shareholder relations within the frame of Corporate Governance Principles. As part of its duties, the Unit held 188 meetings in 2013 with investors and analysts both abroad and in Turkey; replied all questions and e-mails from the shareholders.

The number of the "Disclosures of Material Matters" made by TeknoSA İç and Dış Ticaret A.Ş. between 1st of January 2013 and 31st of December 2013 was 14. CMB or BIST did not request additional written disclosure after Company's disclosures.

Ultimate attention is paid to make the disclosures within the legal period. On the other hand, Borsa İstanbul (BIST) made an announcement regarding the inclusion of TKNSA.E shares in BIST 100 index as of 1st of April 2013.

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

3. Exercise of Shareholders' Rights to be Informed

In 2013, Shareholder Relations Unit responded to all questions and demands from the shareholders via phone calls, e-mails or face to face interviews. All information sought by the shareholders was announced on the website within required time limits.

In the Articles of Association of the Company, assignment of a Private Auditor was not regulated as a right. Within 2013, no request was received from the shareholders on this issue.

4. Information on General Meetings of Shareholders

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

In TeknoSA İç and Dış Tic. A.Ş. an Ordinary General Assembly Meeting was held on the 27th of March 2013 and the participation of shareholders representing 62.17% shares was ensured. Main agenda items of the aforesaid meeting were: Information about 2012 Financial reports, Acquittance of the members of the Board of Directors and Audit Committee, Amendment to the Articles of Association, Profit Distribution Policy, Disclosure Policy, determining the remuneration and rights of the members of the Board of Directors and presentation of the internal directive on the Company General Assembly's Working Principles and Procedures prepared by the Board of Directors to the approval of the General Assembly.

Shareholders didn't exercise their right to ask questions during the General Meeting, and no suggestions were proposed outside the agenda.

General Assembly meeting minutes of the Company can be found on the Company website at URL "www.teknosa.com" and "Public Disclosure Platform".

Information is given about the donations and charities made within the period in the General Assembly with a separate agenda item.

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.

Activity Report, including also the audited 2012 figures was presented to the analysis of the shareholders at the Company Headquarters at least 15 days prior to the General Assembly meeting date.

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

5. Voting Rights and Minority Rights

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

TeknoSA respects the exercise of minority rights, pursuant to Turkish Commercial Code and CMB regulations, and the Company did not receive any complaints or negative criticisms regarding this matter in 2013.

6. Dividend Right

Profit Distribution Policy which was approved in the General Assembly Meeting of the Company held on the 27th of March 2013, specifies that minimum 20% of the distributable profit calculated in accordance with the Capital Markets Legislation is distributed to the partners as dividend in cash or in the form of scrip issue.

Board of Directors reviews this policy annually in case there are negative national and global economic conditions and according to the conditions of the projects and the funds in the agenda. Company aims to ensure income to the parties above the risk-free rate of return.

Due to the fact that the 2012 results of the Company do not support the profit distribution as a consequence of the company acquisition in 2011, no profit distribution was made.

It was decided with unanimity to submit the issue of; distributing the total amount of TL 44,217,800.00 dividends at a ratio of 40.1980% (gross) and 34.1683% (net) in cash from 2013 profit as of 31st of March 2014 to the shareholders – according to their legal positions – who represent TL 110,000,000 capital, to the approval of the Ordinary General Assembly which will be held on the 28th of March 2014.

7. Transfer of Shares

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

SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

The Company implements a Disclosure Policy as described in CMB's Corporate Governance Principles. As required by this Disclosure Policy, examined 3-months and 9-months and partially audited consolidated financial results for the 6-months, and fully audited consolidated financial results for the 12-month period are announced to the public on KAP (Public Disclosure Platform), on the Company's website, and/or via the media.

The public disclosure of the Reports prepared in compliance with the formats stipulated by the Turkish Accounting Standards/Turkish Financial Reporting Standards (“TMS/TFRS”) pursuant to the Turkish Code of Commerce, Articles of Association of the Company, other relevant legislations and the Capital Market Board’s Communiqué II.14.1 on the principles of “Financial Reporting in the Capital Markets” was made within the period stipulated by the CMB.
In accordance with the Public Disclosure Policy, TeknoSA İç and Dış Tic. A.Ş. aims to provide all the stakeholders with the most effective, direct and most easily accessible information.

TeknoSA management, with the aim of being in transparent and close communication with its shareholders and stakeholders, effectively uses the analyst meetings, press conferences, and investor relations web page including activity reports created for the stakeholders.

The main objective is that; while increasing the value of TeknoSA’s tangible and intangible assets for the existing shareholders and stakeholders, to make its shares attractive investment instrument for the potential investors.

The Chairman of the Board of Directors and the General Manager are responsible for conducting the Disclosure Policy. Finance Director is responsible for fulfilling the obligation of the Company’s “Disclosure of Material Matter”.

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

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

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

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

SECTION III-STAKEHOLDERS

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

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

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

12. Stakeholder Participation in Management

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

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

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

13. Human Resources Policy

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

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

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

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

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

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

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

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

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

Employees are made aware of job descriptions and distributions, as well as performance and rewarding criteria. The Company considers efficiency as an important factor in determining employee compensation and benefits.
Pursuant to the Workplace Safety and Health Law, the Company plans to appoint an employee representative who will participate in and follow workplace safety and health related efforts, demand that measures are taken, offer suggestions, and will be authorized to represent employees in all these matters.

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

Focusing on the concepts of “sustainability” and “creating social value”, the Company carries out social responsibility projects mainly in the areas of education, culture & 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 IV-BOARD OF DIRECTORS

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

As described in the Corporate Governance Principles, majority of the Board Members are non-executive members.

Two Board Members are independent members, and Board Members are elected at the General Meeting of Shareholders in accordance with Corporate Governance Principles.

Term of office of Board Members may not exceed 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.

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

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

16. Operating Principles of the Board of Directors

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

The Company's Board of Directors convened for 4 meetings till 31.12.2013. The Chairman of the Board determines the agenda of the Board meetings, after conferring with the Board Members and the General Manager. In order to allow the Board Members to make the necessary reviews and preparations, they are informed about the items and the content of the meeting agenda in advance, as required legally.

At the Board meetings each member has 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 aren't

NAME/ SURNAME	POSITION	TERM OF EMPLOYMENT IN THE COMPANY	DUTIES OUTSIDE THE COMPANY
Haluk Dinçer	Chairman of the Board of Directors	10 years	President of the Retail and Insurance Group at Sabancı Holding
Temel Cüneyt Evirgen	Assistant of Chairman of the Board of Directors	9 years	Sabancı University Faculty Member
Muhterem Kaan Terzioğlu	Independent Member of the Board of Directors	Since April 2012 General Assembly	Consultant
Oğuz Nuri Babüroğlu	Independent Member of the Board of Directors	Since April 2012 General Assembly	Sabancı University Faculty Member
Neriman Ülsever	Member of the Board of Directors	Since April 2012 General Assembly	Human Resources Group Director at Sabancı University
Barış Oran	Member of the Board of Directors	Since April 2012 General Assembly	Head of Planning, Reporting and Finance Department at Sabancı Holding

recorded in the minutes. No opposite opinions were put forward against the resolutions reached by the Board Members at the Board meetings held in 2013.

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

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

In 2013, Board Members neither engaged in any business with the Company nor attempted to go into any business that would fall within the Company's scope of operations.

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

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

Corporate Governance Committee

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

Corporate Governance Committee, including the President, is composed of four Members, and one Reporter 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. Corporate Governance Committee is run by Muhterem Kaan Terzioğlu and Neriman Ülsever, under the presidency of Oğuz Nuri Babüroğlu.

Corporate Governance Committee was established with the purpose of advising Board of Directors to fulfill its duties and responsibilities in a healthy manner. Corporate Governance aims to maintain the continuity of the management process based on ethical values of TeknoSA İç and Dış Tic. A.Ş., having internal and external responsibilities, risk awareness, and that is transparent and responsible in its decisions, that oversees the benefits of the shareholders and that has sustainable success target.

NAME/ SURNAME	POSITION	NATURE OF THE BOARD OF DIRECTORS MEMBERSHIP
Oğuz Nuri Babüroğlu	President of the Corporate Governance Committee	Independent Member of the Board of Directors
Muhterem Kaan Terzioğlu	Member of the Corporate Governance Committee	Independent Member of the Board of Directors
Neriman Ülsever	Member of the Corporate Governance Committee	Member of the Board of Directors

Early Risk Detection Committee

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

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

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

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

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

NAME/ SURNAME	POSITION	NATURE OF THE BOARD OF DIRECTORS MEMBERSHIP
Oğuz Nuri Babüroğlu	President of the Early Risk Detection Committee	Independent Member of the Board of Directors
Muhterem Kaan Terzioğlu	Member of the Early Risk Detection Committee	Independent Member of the Board of Directors
Neriman Ülsever	Member of the Early Risk Detection Committee	Member of the Board of Directors

Audit Committee

Our Audit Committee performs the tasks granted by the legal and internal regulations.

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

NAME/ SURNAME	POSITION	NATURE OF THE BOARD OF DIRECTORS MEMBERSHIP
Muhterem Kaan Terzioğlu	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 30th of December 2013 and the main agenda items were the reviewing of the independent audit report and the presentations of the Audit Committee Presidency.

18. Risk Management and Internal Control

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

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

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

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

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

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

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

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

19. The Company's Strategic Goals

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

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

20. Remuneration of the Board of Directors

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

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

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

In 2013, the Company did not lend any money or give out any loans to Board Members; did not extend the due date or improve the terms and conditions of existing debts or loans; did not grant any individual loans via third persons, or did not offer surety guarantees.

RELATIONS WITH THE PARENT COMPANY AND ITS SUBSIDIARIES

RELATIONS WITH PARENT AND ITS SUBSIDIARIES IN 2013

TeknoSA İç and Dış Ticaret A.Ş. is a subsidiary company of Sabancı Holding Group and the Company's parent company (with 60.27% share) is H.Ö. Sabancı Holding A.Ş. In this direction, this report was prepared taking into consideration the relations with the subsidiary companies of Sabancı Holding Group.

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. Carried out transactions were in accordance with the precedents stipulated in the relevant Articles of the Turkish Code of Commerce n.6102 on the parent company and consequently, there is no loss of TeknoSA A.Ş. due to its involvement among the Group companies.

In this report, prepared by TeknoSA A.Ş. Board of Directors on the 28th of February 2014, it was noticed that, in all transactions carried out by TeknoSA A.Ş. with its parent company and with the subsidiary companies of the parent company, all the required legal transactions stipulated in the Article 199 of the Turkish Code of Commerce n.6102 and within the scope of the responsibilities granted to the Board of Directors were fulfilled and necessary measures were taken.

Deloitte.

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INDEPENDENT AUDITOR REPORT REGARDING ANNUAL ACTIVITY REPORT

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

1. Within the scope of our independent audit, we have assessed, whether the consolidated financial data and the Board of Directors' evaluations and explanations stated in the Teknosa İç and Dış Ticaret A.Ş.'s ("Company") and its subsidiary company's Annual Activity Report issued on the date of 31st of December 2013, are consistent or not with the independently audited consolidated financial statements issued on the same date.

2. It is the Company management's responsibility to prepare the Annual Activity Report, assessed in our report, in conformity with the "Regulation on the Determination of the Minimum Content of the Companies' Annual Activity Reports".

3. Our responsibility as an independent audit company is to state our opinions on the consistency of the financial data in the Annual Activity Report in comparison to the independently audited consolidated financial statements assessed in the independent audit report issued on the date of February 17, 2014.

Our assessments were made in conformity with the procedures and principles promulgated as per the Turkish Code of Commerce ("TTK") n.6102 regarding the preparation and issuing of the annual activity report. These regulations stipulate that the audit shall be planned and carried out for the purpose of providing a reasonable assurance on the issue of whether or not there is a significant mistake concerning the consistency of the financial data in the annual activity report in comparison to the independently audited financial statements and to the data the independent auditor obtained during the audit.

We believe that our assessments form a reasonable and sufficient basis for our opinion.

4. According to our opinion, consolidated financial data and assessments and explanations of the Board of Directors stated in the attached annual activity report are consistent with the independently audited financial statements of Teknosa İç and Dış Ticaret A.Ş. dated 31st of December 2013.

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

Ömer Tanrıöver, IAFC
Responsible Auditor

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Deloitte.

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(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

Teknosa İç ve Dış Ticaret A.Ş. Yönetim Kurulu'na

1. We have audited the accompanying consolidated balance sheet of Teknosa İç ve Dış Ticaret A.Ş. ("the Company") and its subsidiary (together will be referred as "the Group") as at 31 December 2013, 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

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"), 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

3. 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. 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.

4. 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.

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

Opinion

6. 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 2013, and of their financial performance and their cash flows for the year then ended in accordance with TAS (refer to Note 2).

Reports on Other Legal and Regulatory Requirements

7. In accordance with Article 402 of Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation in terms of audit; and nothing has come to our attention that may cause us to believe that the Group's set of accounts prepared for the period 1 January-31 December 2013 does not comply with the code and the provisions of the Company's articles of association in relation to financial reporting.

8. In accordance with Article 378 of Turkish Commercial Code No. 6102, in publicly traded companies, the board of directors is obliged to establish a committee consisting of specialized experts, to run and to develop the necessary system for the purposes of early identification of any risks that may compromise the existence, development and continuation of the company; applying the necessary measures and remedies in this regard and managing such risks. According to paragraph 4 of Article 398 of the same code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include the evaluation of the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report, yet. Therefore, no separate report has been drawn up regarding this matter. On the other hand, the Company established the mentioned committee on 24 October 2013 and the committee is comprised of 3 members, 1 chairman and 2 members. Since the date of its establishment, the committee has held 2 meetings for the purposes of early identification of any risks that may compromise the existence and development of the Company, applying the necessary measures and remedies in this regard and managing such risks, and has submitted the relevant reports to the Board of Directors.

Other matter

9. The audit of the consolidated interim financial information of the Group for the year ended 31 December 2012 was performed by another independent auditing firm. On 13 February 2013 the predecessor auditing firm expressed an unqualifed opinion in the auditor's report on the consolidated financial statements as of 31 December 2012.

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

Ömer Tanrıöver, SMMM
Partner

Ömertanrıöver

Istanbul, 17 February 2014

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TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2013

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

	Notes	Current period 31 December 2013	Restated Prior period 31 December 2012
ASSETS			
Current Assets		**900.671**	**884.798**
Cash and cash equivalents	5	320.182	355.210
Financial investments	24	-	3.009
Trade receivables	6	39.364	44.187
Due from related parties	*4*	*393*	*6.802*
Due from third parties		*38.971*	*37.385*
Inventories	8	511.689	466.678
Prepaid expenses	9	23.806	13.895
Other current assets	16	5.630	1.819
Non current assets		**155.508**	**125.024**
Other receivable	7	640	584
Investment property	10	10.935	11.124
Property, plant and equipment	11	113.591	93.487
Intangible assets	12	15.345	10.007
Prepaid expenses	9	905	4.012
Deferred tax assets	23	7.209	3.276
Other non current assets	16	6.883	2.534
TOTAL ASSETS		**1.056.179**	**1.009.822**

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2013

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

	Notes	Current period 31 December 2013	Restated Prior period 31 December 2012
LIABILITIES			
Current liabilities		**800.008**	**811.440**
Trade payables	6	738.230	758.301
Due to related parties	*4*	*1.905*	*2.943*
Due to third parties		*736.325*	*755.358*
Liabilities related to employee benefits	13	8.997	8.056
Other payables		722	590
Deferred income	9	24.386	24.334
Current period tax liability	23	4.665	5.353
Short term provisions		8.104	11.929
Provisions related to employee benefits	*13*	*6.448*	*10.454*
Other short term provisions	*14*	*1.656*	*1.475*
Other current liabilities	16	14.904	2.877
Non current liabilities		**3.427**	**2.145**
Provisions for employment termination benefits	13	3.427	2.113
Other payables		-	32
EQUITY		**252.744**	**196.237**
Share capital	17	110.000	110.000
Adjustment to share capital	17	6.628	6.628
Restricted reserves	17	758	758
Other reserves		3	3
Items that will not be reclassified subsequently to profit or loss		(300)	(92)
Retained earnings		78.940	28.405
Net profit for the period		56.715	50.535
TOTAL LIABILITIES		**1.056.179**	**1.009.822**

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Current period 1 January – 31 December 2013	Restated Prior period 1 January – 31 December 2012
Revenue	18	2.957.274	2.333.376
Cost of sales (-)	18	(2.403.746)	(1.869.854)
GROSS PROFIT		**553.528**	**463.522**
Marketing expenses (-)	19	(419.243)	(339.469)
General administrative expenses (-)	19	(33.716)	(32.121)
Other operating incomes	20	19.085	19.801
Other operating expenses (-)	20	(40.555)	(39.175)
OPERATING PROFIT		**79.099**	**72.558**
Investment income	21	8.597	7.534
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		**87.696**	**80.092**
Financial expense (-)	22	(17.208)	(15.340)
PROFIT BEFORE TAX		**70.488**	**64.752**
Tax expense		**(13.773)**	**(14.217)**
- Current tax expense	23	(17.655)	(13.076)
- Deferred tax (expense) / income	23	3.882	(1.141)
NET PROFIT FOR THE PERIOD		**56.715**	**50.535**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss		**(208)**	**(71)**
- Actuarial losses on post employment benefit oblications		(208)	(71)
Items that may be reclassified subsequently to profit or loss		**-**	**-**
		56.507	**50.464**
Earnings per share (1000 shares)	24	0,516	0,459

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Share capital	Adjustment to share capital	Restricted reserves	Other reserves	Items that will not be reclassified subsequently to profit or loss	Accumulated profit / (loss)	Net profit / (loss)	Total
Prior period								
Balance at 1 January 2012	110.000	6.628	758	3	(21)	(21.820)	50.225	145.773
Transfer to retained earnings/(losses)	-	-	-	-	-	50.225	(50.225)	-
Total comprehensive income	-	-	-	-	(71)	-	50.535	50.464
Balance at 31 December 2012	**110.000**	**6.628**	**758**	**3**	**(92)**	**28.405**	**50.535**	**196.237**
Current Period								
Balance at 1 January 2013	110.000	6.628	758	3	(92)	28.405	50.535	196.237
Transfer to retained earnings	-	-	-	-	-	50.535	(50.535)	-
Total comprehensive income	-	-	-	-	(208)	-	56.715	56.507
Balance at 31 December 2013	**110.000**	**6.628**	**758**	**3**	**(300)**	**78.940**	**56.715**	**252.744**

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Current period 1 January – 31 December2013	Restated Prior period 1 January – 31 December 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		70.488	64.752
Adjustments:			
Interest expense, credit cards' commissions and other financing expenses	22	17.208	15.340
Depreciation and amortization expenses	10, 11, 12	29.054	23.132
Retirement pay provision	13	3.109	2.175
Unused vacation provision	13	284	242
Loss arising tangible assets' disposal of closed down stores	11	2.129	4.172
Release of impairment of tangible assets related to the stores to be closed, net	11	(222)	(4.250)
Provision for impairment on inventories	8	728	366
Interest income	21	(8.597)	(7.534)
		114.181	98.395
Operating cash flows before changes in working capital			
Decrease / (increase) in trade receivables and other receivables		1.424	(473)
Decrease in trade receivables from related parties		6.409	(3.104)
Increase in inventories		(45.739)	(211.414)
Increase in other current assets and prepaid expenses		(10.281)	(2.115)
Increase in other non current assets		(4.405)	850
(Decrease) / increase in trade payables		(19.033)	333.386
Decrease in trade payables to related parties		(1.038)	404
Increase in other current liabilities		9.043	14.591
Decrease in other non current liabilities		312	13
Retirement pay provison paid	13	(2.399)	(1.759)
Current tax paid	23	(18.343)	(7.723)
Cash used in operations		**30.131**	**221.051**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Financial investment acquisition		-	(3.009)
Purchase of tangible assets	11	(49.740)	(37.104)
Purchase of intangible assets	12	(6.474)	(4.518)
Interest received		8.263	7.534
Cash used in investment activities		**(47.951)**	**(37.097)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest, credit card commissions and other finance costs paid		(17.208)	(15.340)
Cash used in financing activities		**(17.208)**	**(15.340)**
NET CHANGE IN CASH AND CASH EQUVALENTS			
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**355.210**	**186.596**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**320.182**	**355.210**

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

NOTE 1 – ORGANIZATIONS AND NATURE OF BUSINESS

Teknosa İç ve Dış Ticaret A.Ş., ("Teknosa" or "The Company") was established on 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 4.151 as of 31 December 2013 (31 December 2012: 3.689). The Company has been registered in Turkey and operates under the laws and regulations of Turkish Commercial Codes.

The Company operates in Turkey in 294 stores with 165.867 square meters retail space as of 31 December 2013 (31 December 2012: 141.079 square meters, 283 stores). For the opened and closed stores after the balance sheet date, please refer to Note 28. The registered Office address of the company is as follows.

Batman Sokak Teknosa Plaza No: 18
Sahrayıcedit - İstanbul

Subsidiary

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

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

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation of consolidated financial statements:

Statement of Compliance

The Company and its Turkish subsidiary maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and 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/ Turkish Financial Reporting Standards ("TAS/ TFRS") and relating interpretations which became effective with the 5th Article of the Decree in consideration by Public Oversight Accounting and Auditing Standards Authority. TAS/ TFRS is updated through new decrees in order to achieve compliance with the changes in the International Financial Reporting Standards ("TFRS").

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

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation of consolidated financial statements (Continued)

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 (including companies adopting TAS/ TFRS) to cease the inflation accounting application as of 1 January 2005. Based on this requirement, the application of TAS 29 "Financial Reporting in Hyperinflationary Economies" is ceased as of 1 January 2005.

Comparative information and restatement of the prior periods' financial statements

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 in line with the related changes. In the current period, the Group made some reclassifications for the conformity with the format issued by CMB on 7 June 2013. The details of the reclassifications are as follows:

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation of consolidated financial statements (Continued)

Comparative information and restatement of the prior periods' financial statements (continued)

• In 2012 the Group presented advances given amounting TRY 1.539 under other current assets. In the current year, the Group management reclassified this amount to "Non-current prepaid expenses".

• In 2012 the Group presented other receivables amounting TRY 584 under other non-current assets. In the current year, the Group management reclassified this amount to "Other non-current receivables".

• In 2012 the Group presented prepaid expenses amounting TRY 856 under other current assets. In the current year, the Group management reclassified this amount to "Other non-current prepaid expenses".

• In 2012 the Group presented income accruals from suppliers amounting TRY 10.955 under other current assets. In the current year, the Group management reclassified this amount to "Trade payables".

• In 2012 the Group presented advances given for inventories amounting TRY 5.295 under inventories. In the current year, the Group management reclassified this amount to "Prepaid expenses".

• In 2012 the Group presented prepaid expenses amounting TRY 8.600 and TRY 1.617 under other current and non-current assets. In the current year, the Group management reclassified this amount to "Prepaid expenses".

• In 2012 the Group presented expense accruals and provisions amounting TRY 923, TRY 1.475 and TRY 675 under expense accruals and other current liabilities. In the current year, the Group management reclassified these amounts to "Trade payables", "Other current provisions" and "Provisions related to employment benefits".

• In 2012 the Group presented provisions related to employment benefits amounting TRY 10.454 under other current liabilities. In the current year, the Group management reclassified these amounts to "Provisions related to employment benefits".

• In 2012 the Group presented payables related to employment benefits amounting TRY 8.056 under other current liabilities. In the current year, the Group management reclassified these amounts to "Payables related to employment benefits".

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation of consolidated financial statements (Continued)

Comparative information and restatement of the prior periods' financial statements (continued)

• In 2012 the Group presented deferred income amounting TRY 852 under other current liabilities. In the current year, the Group management reclassified these amounts to "Deferred income".

• In 2012 the Group presented advances received amounting TRY 17.687 under other current liabilities. In the current year, the Group management reclassified these amounts to "Deferred income".

• In 2012 the Group presented maturity difference income and expenses amounting to TRY 2.496 and TRY 14.252 under finance income and expenses. In the current year, the Group management reclassified these amounts to "Income/ expense from other operating income and expenses".

• In 2012 the Group presented income arising from credit card usage incentives amounting to TRY 3.669 under other income. In the current year, the Group management reclassified these amounts to "Sales revenues".

• In 2012 the Group presented income arising from insurance compensations and suppliers amounting to TRY 11.626 under other income. In the current year, the Group management offset these amounts to "Cost of sales".

• In 2012 the Group presented foreign exchange gains and losses amounting to TRY 4.949 and TRY 3.376 under finance income and expenses. In the current year, the Group management reclassified these amounts to "Other income and expenses".

Additionally, the Group reclassified reverse balances in trade receivables and payables to deferred income and trade receivables.

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

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation of consolidated financial statements (Continued)

Comparative information and restatement of the prior periods' financial statements (continued)

	As previously reported 31 December 2012	As restated 31 December 2012
Current Assets		
Trade receivables	32.764	44.187
Due from related parties	*6.406*	*6.802*
Due from third parties	*26.358*	*37.385*
Inventories	471.973	466.678
Prepaid expenses	-	13.895
Other current assets	23.769	1.819
Non current assets		
Other receivable	-	584
Prepaid expenses	-	4.012
Other non current assets	4.735	2.534
Current liabilities		
Trade payables	762.705	758.301
Due to related parties	*2.547*	*2.943*
Due to third parties	*760.158*	*755.358*
Payables related to employee benefits	-	8.056
Deferred revenue	-	24.334
Short term provisions	-	11.929
Provisions related to employee benefits	-	*10.454*
Other short term provisions	*8.646*	*1.475*
Other current liabilities	34.943	2.877
Non current liabilities		
Provisions for employment termination benefits	*1.438*	*2.113*

There is not impact of those reclassifications on the consolidated profit/loss statement.

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 the 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 to the accounting estimates in the current year.

2.4 Adoption of New and Revised Standards and Interpretations

a) Amendments to TASs affecting amounts reported in the financial statements

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported and disclosures in these financial statements.

Amendments to TAS 1 Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 Presentation of Items of Other Comprehensive Income is effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to TAS 1, the ‘statement of comprehensive income’ is renamed the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed the ‘statement of profit or loss’. The amendments to TAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to TAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to TAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Adoption of New and Revised Standards and Interpretations (Continued)

a) Amendments to TASs affecting amounts reported in the financial statements (continued)

TAS 19 *Employee Benefits*

The amendments to TAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of TAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of TAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to TAS 19 require retrospective application. In the attached consolidated financial statements the changes in TAS 19 has been applied retrospectively.

b) New and Revised TASs applied with no material effect on the consolidated financial statements

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including TFRS 10, TFRS 11, TFRS 12, TAS 27 (as revised in 2011) and TAS 28 (as revised in 2011).

Key requirements of these five Standards are described below:

TFRS 10 replaces the parts of TAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of TFRS 10. Under TFRS 10, there is only one basis for consolidation, that is, control. In addition, TFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return Extensive guidance has been added in TFRS 10 to deal with complex scenarios.

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Adoption of New and Revised Standards and Interpretations (Continued)

b) New and Revised TASs applied with no material effect on the consolidated financial statements (continued)

TFRS 11 replaces TAS 31 *Interests in Joint Ventures.* TFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of TFRS 11. Under TFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under TAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under TFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under TAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

TFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in TFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to TFRS 10, TFRS 11 and TFRS 12 were issued to clarify certain transitional guidance on the application of these TFRSs for the first time. The implement of these five standards had no significant effect on the amounts reported on the consolidated financial statements.

TFRS 13 *Fair Value Measurement*

TFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of TFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other TFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in TFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under TFRS 7 *Financial Instruments: Disclosures* will be extended by TFRS 13 to cover all assets and liabilities within its scope.

The implementation of these five standards had no significant effect on the amounts reported on the consolidated financial statements.

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Adoption of New and Revised Standards and Interpretations (Continued)

b) New and Revised TASs applied with no material effect on the consolidated financial statements (continued)

Amendments to TAS 1 *Presentation of Financial Statements*
(as part of the *Annual Improvements to TFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to TAS 1 as part of the *Annual Improvements to TFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

TAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to TAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

Amendments to TFRS 7 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to TFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

Annual Improvements to TFRSs 2009 - 2011 Cycle issued in May 2012

- Amendments to TAS 16 *Property, Plant and Equipment;*
- Amendments to TAS 32 *Financial Instruments: Presentation; and*
- Amendments to TAS 34 *Interim Financial Reporting*

Amendments to TAS 16

The amendments to TAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in TAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to TAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to TAS 32

The amendments to TAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with TAS 12 Income Taxes. The amendments to TAS 32 did not have a significant effect on the Group's consolidated financial statements.

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

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Adoption of New and Revised Standards and Interpretations (Continued)

b) New and Revised TASs applied with no material effect on the consolidated financial statements (continued)

Amendments to TAS 34

The amendments to TAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to TAS 34 did not have an effect on the Group's consolidated financial statements.

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

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

TFRS 9	*Financial Instruments*[2]
Amendments to TFRS 9 and TFRS 7	*Mandatory Effective Date of TFRS 9 and Transition Disclosures*[2]
Amendments to TFRS 10, 11, TAS 27	*Investment Entities*[1]
Amendments to TAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to TAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to TAS 39	*Novation of Derivatives and Continuation of Hedge*
	Accounting[1]
IFRIC 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 January 2015.

NOTE 2 – STANDARDS RELATING TO THE 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 (Note 5).

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. Collection risk due from the credit card sales of the Group belongs to the bank, the risk of doubtful trade receivables due from the credit card slip receivables limited within the financial condition and the risk of bank. The Group collects the instalments of its credit card sales according to the mutually agreed discount rates with the banks and financial institutions on the following day when the sale made within the scope of the credit card sales contracts made under the various banks and financial institutions.

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

NOTE 2 – STANDARDS RELATING TO THE 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. Benefits obtained from suppliers in the normal course of business, such as rebates, stock protection and similar benefits are deducted from the cost of the related inventory item and are associated with cost of goods sold (Note 8).

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.

NOTE 2 – STANDARDS RELATING TO THE 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 (Notes 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.

NOTE 2 – STANDARDS RELATING TO THE 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 liabilities and contingent assets

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

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

Statement of cash flows

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

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

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

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

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

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (continued)

Borrowings

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

Taxes on income

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized (Note 23).

Provision for employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 13).

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (continued)

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 income.

Revenue recognition

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

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

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (continued)

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

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

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (continued)
Segment reporting

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

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

The Board of Directors and the executive committee monitor the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Tax, Employment Termination Benefits, Depreciation and Amortization ("EBITDA"). This measurement of the operating segments does not consider the effects of nonrecurring income and expenses. Interest income and expenses are not allocated to operating segments since they are monitored by the central treasury department of the Group. EBITDA is not a measure of operating income, operating performance or liquidity under CMB Financial Reporting Standards. The Group presented EBITDA in the notes to the financial statements besides the requirements of segment reporting since it is used by certain readers in their analyses (Note 3).

Share capital and dividends

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

Offsetting

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

Subsequent events

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

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments used in applying 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.

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

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. The Group booked TRY 222 of impairment reversal as of 31 December 2013 (31 December 2012: TRY 4.250)

Critical judgments used in applying Group's accounting policies

Inventory obsolescence (NRV)
As part of the accounting policy, inventories are presented with their net realiazable values. The Group values its inventories with a sales price lower than the cost with the lower of net realiazable value of cost. NRV report is calculated by making a comparison between the month end cost value and sales price.

Inventories which have a low sales performance are provided for based on the previous periods sales.

For the white products group the slow moving provision is calculated based on the aging of items (over 180 days) and for the other products over 90 days.

NOTE 2 – STANDARDS RELATING TO THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Income accruals

The Group has various lawsuits as at 31 December 2013 for the previous years' air conditionar imports as a result of the investigation performed by Customs Consultancy Inspector in 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 2013 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 company.

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. These sales are also reviewed by dealers and stores. Some assets and liabilities are not allocated to segments as they are managed centrally. The Group's holding company results are included in the total assets reconciliation.

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

NOTE 3 – SEGMENT REPORTING (Continued)

The details of the segment reporting are as follows:

	1 January - 31 December 2013		
	Retailer	**Dealer**	**Total**
Total section income	**2.840.404**	**116.870**	**2.957.274**
Income from third party customers	2.840.404	116.870	2.957.274
Profit before interest, severance pay, depreciation and amortization	120.881	12.121	133.002
Depreciation and amortization	(28.729)	(325)	(29.054)
Taxation on income	(11.008)	(2.765)	(13.773)

	1 January - 31 December 2012		
	Retailer	**Dealer**	**Total**
Total section income	**2.216.361**	**117.015**	**2.333.376**
Income from third party customers	2.216.361	117.015	2.333.376
Profit before interest, severance pay, depreciation and amortization	101.396	17.268	118.664
Depreciation and amortization	**(24.004)**	**(438)**	**(24.442)**
Taxation on income	**(10.797)**	**(3.420)**	**(14.217)**

In 2013, the Group management revised segment reporting and decided not to follow balance sheet items according to business units. Therefore, the related information is not presented in the current year.

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

NOTE 3 – SEGMENT REPORTING (Continued)

Reconciliation of EBITDA with profit and loss

	1 January- 31 December 2013	1 January- 31 December 2012
EBITDA for reportable segment information	**133.002**	**118.664**
Depreciation	(29.054)	(24.442)
Financial expenses	(17.208)	(15.340)
Investment income	8.597	7.534
Other expenses - net	(21.470)	(19.374)
Provision for employee termination benefits	(3.379)	(2.290)
Profit before tax	**70.488**	**64.752**

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

NOTE 4 – RELATED PARTY TRANSACTIONS

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

	31 December 2013	
	Receivables Current Trading	**Payables Current Trading**
Balances with related parties		
Akbank T.A.Ş.	16	-
Avivasa Emeklilik ve Hayat A.Ş.	145	-
Akçansa Çimento San. ve Tic. A.Ş.	13	-
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	42	(45)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	173	-
Sabancı Üniversitesi	1	-
Enerjisa Enerji A.Ş. ve iştirakleri	-	(462)
Aksigorta A.Ş.	3	(42)
Temsa Global Sanayi ve Ticaret A.Ş.	-	(1)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	(1.122)
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	-	(233)
	393	**(1.905)**

	31 December 2012	
	Receivables Current Trading	**Payables Current Trading**
Balances with related parties		
Akbank T.A.Ş.	6.269	-
Enerjisa Toptan Satış	-	(523)
Vista Turizm ve Seyahat A.Ş.	-	(155)
Yönetim Sistemleri A.Ş.	-	(1.761)
Other	533	(504)
	6.802	**(2.943)**

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

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

	31 December 2013	31 December 2012
Deposit accounts in Akbank T.A.Ş.		
Demand deposit	20	603
Time deposit	318.140	353.197
	318.160	**353.800**

	1 January - 31 December 2013		
Transactions with related parties	**Sales**	**Rent expense**	**Other income/ (expense)**
Akbank T.A.Ş.	2.678	-	3.220
Avivasa Emeklilik ve Hayat A.Ş.	560	-	(1.301)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	338	-	-
Akçansa Çimento San. ve Tic. A.Ş.	279	-	-
Aksigorta A.Ş.	183	(28)	(2.445)
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	100	(4.742)	-
H.Ö. Sabancı Holding A.Ş.	97	-	(139)
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	23	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş.	19	-	-
Sabancı Üniversitesi	17	-	-
Enerjisa Enerji A.Ş. ve iştirakleri	6	-	(6.066)
Temsa Global Sanayi ve Ticaret A.Ş.	2	-	-
Vista Turizm ve Seyahat A.Ş.	1	-	(2.155)
Other	-	-	2.380
	4.303	**(4.770)**	**(6.506)**

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

NOTE 4 – RELATED PARTY TRANSACTIONS (Continued)

	1 January - 31 December 2012		
Transactions with related parties	**Sales**	**Rent expense**	**Other income/ (expense)**
Akbank T.A.Ş.	4.877	-	-
Akçansa Çimento San. ve Tic. A.Ş.	-	-	-
Aksigorta A.Ş.	554	-	(2.419)
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	-	-	(5.423)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	-	(3.118)
Dia Sabancı Süpermarketleri Ticaret A.Ş.	123	-	-
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş.	-	-	-
Carrefoursa Carrefour Sabancı Tic. Mer. A.Ş.	-	(2.486)	(1.375)
H.Ö. Sabancı Holding	-	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş.	54	-	-
Vista Turizm ve Seyahat A.Ş.	-	-	(2.734)
Olmuksa International Paper Sabancı Ambalaj Sanayi ve Ticaret A.Ş.	-	-	(133)
Avivasa Emeklilik ve Hayat A.Ş.	-	-	(128)
Other	720	(42)	(218)
	6.328	**(2.528)**	**(15.548)**

Renumerations of key management personnel for the years ended 31 December 2013 and 2012:

	31 December 2013	31 December 2012
Salaries and other benefits	6.944	4.537
	6.944	**4.537**

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

NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2013 and 2012 are as follows:

	31 Decembe 2013	31 December 2012
Cash	958	1.043
Demand deposit	1.084	970
Time deposit	318.140	353.197
	320.182	**355.210**

As of 31 December 2013, the Group's time deposits are denominated only as Turkish Liras with the average interest rate of 9,59% (31 December 2012: 9,19%).

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Current trade receivables		
Trade receivables	29.053	24.910
Due from related parties (Note 4)	393	6.802
Notes receivables	10.127	13.399
Allowance for doubtfull receivables (-)	(209)	(924)
	39.364	**44.187**

As of 31 December 2013, TRY 14.285 amount of trade receivables consist of receivables from credit card slips (31 December 2012: TRY 11.754).

As of 31 December 2013 and 2012, the Group has hold the below given guarantees for its checks and notes (except receivables from credit card slips).

	31 December 2013	31 December 2012
Letters of guarantees received	6.862	6.937
Cash deposits and guarantees	721	590
Mortgages	4.504	5.880
	12.087	**13.407**

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2013	31 December 2012
Current trade payables		
Trade payables	735.660	754.435
Trade payables to related parties (Note 4)	1.905	2.943
Expense accruals	665	923
	738.230	**758.301**

As of 31 December 2013, income accruals related to suppliers in the amount of TRY 13.096 were net off its trade payables (31 December 2012: TRY 10.955).

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

The Group's other receivables and payables are comprised only of deposits and guarantees given and received.

	31 December 2013	31 December 2012
Deposits and guarantees given	640	584
	640	**584**

	31 December 2013	31 December 2012
Deposits and guarantess received	722	590
	722	**590**

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

NOTE 8 - INVENTORIES

The details of the inventories as of 31 December 2013 and 2012 are presented below:

	31 December 2013	31 December 2012
Trade goods	511.362	468.414
Goods in transit	3.512	721
Less: Provision of impairment on inventories	(3.185)	(2.457)
	511.689	**466.678**

Movement of provision of impairment on inventories	**1 January- 31 December 2013**	**1 January- 31 December 2012**
Opening balance at 1 January	(2.457)	(2.091)
Charge for the year	(1.197)	(861)
Provisions released	469	495
Closing balance at 31 December	**(3.185)**	**(2.457)**

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of other current assets as of 31 December 2013 and 2012 are presented below:

Current period prepaid expenses	**31 December 2013**	**31 December 2012**
Order advances given for inventory purchase	10.780	5.295
Short term prepaid expenses	13.026	8.600
	23.806	**13.895**

Non-current period prepaid expenses	**31 December 2013**	**31 December 2012**
Order advances given for fixed asset purchase	-	1.539
Long term prepaid expenses	905	2.473
	905	**4.012**

(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 2013 and 2012 are presented below:

Short term deferred revenue	31 December 2013	31 December 2012
Order advances received	24.245	23.482
Other	141	852
	24.386	**24.334**

NOTE 10 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation as of 31 December 2013 is as below:

	Land	Property	Total
Cost Value			
Opening balance as of 1 January 2013	2.775	8.811	11.586
Purchases	-	-	-
Ending balance as of 31 December 2013	2.775	8.811	11.586
Accumulated Depreciation			
Opening balance as of 1 January 2013	-	(462)	(462)
Charge for the year	-	(189)	(189)
Ending balance as of 31 December 2013	-	(651)	(651)
Carrying value as of 31 December 2013	**2.775**	**8.160**	**10.935**

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

NOTE 10 – INVESTMENT PROPERTY (Continued)

	Land	Property	Total
Cost Value			
Opening balance as of 1 January 2012	2.775	8.811	11.586
Purchases	-	-	-
Ending balance as of 31 December 2012	2.775	8.811	11.586
Accumulated Depreciation			
Opening balance as of 1 January 2012	-	(345)	(345)
Charge for the year	-	(117)	(117)
Ending balance as of 31 December 2012	-	(462)	(462)
Carrying value as of 31 December 2012	**2.775**	**8.349**	**11.124**

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to TRY 442 (2012: TRY 355). Direct operating expenses arising on the investment property in the period include maintenance and repair costs which amounted to TRY 328 (2012: TRY 307). Operating expenses which are not belonged to Teknosa store are distributed to lessees.

The fair value of the Group's investment property as at 31 December 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out on the respective dates by TADEM Taşınmaz Değerleme Müşavirlik A.Ş. independent valuers 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 25.000 in the related valuation report dated 5 November 2012.

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENTS

The movement of tangible assets and related accumulated depreciation as of 31 December 2013 is as below:

	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction on progress	Total
Cost value								
Opening balance at 1 January 2013	3.444	6.217	316	77	65.187	83.047	2.550	160.838
Additions	-	93	170	9	11.436	14.589	23.443	49.740
Disposals	-	-	(37)	-	(5.140)	(2.845)	-	(8.022)
Transfer from construction on progress (*)	-	-	-	-	5.249	14.725	(22.644)	(2.670)
Closing balance at 31 December 2013	3.444	6.310	449	86	76.732	109.516	3.349	199.886
Accumulated depreciation								
Opening balance at 1 January 2013	-	(282)	(275)	(64)	(34.868)	(31.862)	-	(67.351)
Current charge	-	(302)	(33)	(8)	(10.668)	(14.047)	-	(25.058)
Disposals	-	-	36	-	4.161	1.695	-	5.892
Reversal of impairments	-	-	1	-	199	22	-	222
Closing balance at 31 December 2013	-	(584)	(271)	(72)	(41.176)	(44.192)	-	(86.295)
Net book value at 31 December 2013	**3.444**	**5.726**	**178**	**14**	**35.556**	**65.324**	**3.349**	**113.591**

(*) The investment amounting TRY 2.671 has been made for intangible assets as of 31 December 2013.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENTS (Continued)

The movement of tangible assets and related accumulated depreciation as of 31 December 2012 is as below:

	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction on progress	Total
Cost value								
Opening balance at 1 January 2012	3.583	6.198	657	683	68.595	66.734	2.032	148.482
Additions	-	-	-	4	8.364	8.567	20.169	37.104
Disposals	-	-	(341)	(610)	(15.254)	(6.042)	(113)	(22.360)
Impairment	-	-	-	-	-	-	-	-
Transfer from construction on progress (*)	(139)	19	-	-	3.482	13.788	(19.538)	(2.388)
Closing balance at 31 December 2012	3.444	6.217	316	77	65.187	83.047	2.550	160.838
Accumulated depreciation								
Opening balance at 1 January 2012	-	(551)	(407)	(668)	(40.691)	(27.484)	-	(69.801)
Current charge	-	(112)	(21)	(6)	(9.969)	(10.317)	-	(20.425)
Disposals	-	-	147	610	14.641	3.143	-	18.541
Reversal of impairments	-	-	6	-	1.057	3.177	-	4.240
Transfer from construction on progress (*)	-	381	-	-	94	(381)	-	94
Closing balance at 31 December 2012	-	(282)	(275)	(64)	(34.868)	(31.862)	-	(67.351)
Net book value at 31 December 2012	**3.444**	**5.935**	**41**	**13**	**30.319**	**51.185**	**2.550**	**93.487**

(*) The investment amounting TRY 2.388 has been made for intangible assets as of 31 December 2012.

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

NOTE 12 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated depreciation as of 31 December 2013 and 2012 is as below:

Cost Value	**Patents**	**Computer software**	**Total**
Opening balance as of 1 January 2013	**7.853**	**15.616**	**23.469**
Additions	476	5.998	6.474
Disposals	-	(1)	(1)
Transfers from constructions in progress	304	2.367	2.671
Closing balance as of 31 December 2013	8.633	23.980	32.613
Accumulated Amortization			
Opening balance as of 1 January 2013	(1.986)	(11.476)	(13.462)
Charge of the year	(472)	(3.335)	(3.807)
Disposals	-	1	1
Closing balance as of 31 December 2013	(2.458)	(14.810)	(17.268)
Carrying value as of 31 December 2013	**6.175**	**9.170**	**15.345**

Cost Value	**Patents**	**Computer software**	**Total**
Opening balance as of 1 January 2012	6.845	12.338	19.183
Additions	1.622	2.896	4.518
Disposals	(2.050)	(624)	(2.674)
Impairment during the period (-)	8	46	54
Transfers from constructions in progress	1.428	960	2.388
Closing balance as of 31 December 2012	7.853	15.616	23.469
Accumulated Amortization			
Opening balance as of 1 January 2012	(3.453)	(9.602)	(13.055)
Charge of the year	(523)	(2.067)	(2.590)
Disposals	1.990	331	2.321
Transfers from constructions in progress	-	(94)	(94)
Impairment during the period (-)	-	(44)	(44)
Closing balance as of 31 December 2012	(1.986)	(11.476)	(13.462)
Carrying value as of 31 December 2012	**5.867**	**4.140**	**10.007**

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

NOTE 13 – PAYABLES RELATED TO BENEFITS PROVIDED TO EMPLOYEES

The details of the due to employees as of 31 December 2013 and 2012 are presented below:

	31 December 2013	31 December 2012
Accrued salaries	32	-
Social security premiums payable	8.965	8.056
	8.997	**8.056**

The details of the provisions related to employee benefits as of 31 December 2013 and 2012 are presented below:

Short-term provisions	31 December 2013	31 December 2012
Salesman premium provision	2.828	4.467
Unused vacation provision	1.883	1.599
Administrative premium provision	1.737	4.388
	6.448	10.454

Long-term provisions	31 December 2013	31 December 2012
Retirement pay provision	2.408	1.438
Administrative premium provision	1.019	675
	3.427	**2.113**

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 TL 3.254,44 (2012: TL 3.033,98) for each period of service at 31 December 2013.

There are no agreements for pension commitments other than the legal requirement as explained above. In addition, the liability is not funded, as there is no funding requirement.

The provisions for employment termination benefits of the Group, since the employment termination benefit ceiling is rearranged every six months, is calculated over TL 3.438,22 that is effective commencing on 1 January 2014 (1 January 2013: TL 3.129,25). The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

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

NOTE 13 – PAYABLES RELATED TO BENEFITS PROVIDED TO EMPLOYEES (Continued)

Retirement pay provision (continued):

	31 December 2013	31 December 2012
Discount rate	2 %	2 %
Turnover rate		
- store personnel	*27,5 %*	*39 %*
- administrative personnel	*11 %*	*14 %*

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 2013, 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 based on the following actuarial assumptions:

	31 December 2013	31 December 2012
Provision at 1 January	1.438	907
Service cost	3.077	2.141
Interest cost	32	34
Actuarial gain	260	115
Termination benefits paid	(2.399)	(1.759)
	2.408	**1.438**

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

If the discount rate had been 1% lower, provision for employee termination benefits would increase by TL 111 and 1% higher, provision for employee termination benefits would decrease by TL 92.

If the anticipated turnover rate had been 5% higher while all other variables were held constant, provision for employee termination benefits would increase by TL 1.004 and 5% lower, provision for employee termination benefits would decrease by TL 379.

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

NOTE 14 – PROVISIONS

The details of the other current provisions as of 31 December 2013 and 2012 are presented below:

	31 December 2013	31 December 2012
Litigation provisions	774	747
Other	882	728
	1.656	**1.475**

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 2013	31 December 2012
Less than 1 year	57.403	99.734
Between 1-5 years	440.435	284.934
More than 5 years	134.656	101.938
	632.494	**486.606**

NOTE 15 – COMMITMENTS (Continued)

Custom duty and penalty

Some of the previous years' air conditioner imports of the company are being investigated by Customs Consultancy Inspector within two different investigations as of 31 December 2013. As a result of these investigations, the Custom Consultancy Inspectors identifications caused 135 lawsuits amounting TRY 9.045 as a result of tax operations penalties. 117 of these 135 lawsuits amounting TRY 8.974 is still present.

TRY 4.108 resulted in the Company's favor and appealed for correction. However, the second wave of investigations amounting TRY 4.937 resulted partially in Company's favor, the part of amounting TRY 1.925 resulted in Company's favor whereas the part of amounting 3.012 TRY was lost. Lost causes have been appealed by the administrative board. The process is still going. Including the approved lawsuit and the ones that have ended in opposition to the Group, a total payment of TRY 5.615 (included VAT in the amount of TRY 459) has been made in 2013.

The Group Management has accounted TRY 5.157 of income accrual regarding such tax penalties in the consolidated financial statements at 31 December 2013 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 company.

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages ("CPM") given by the Group as of 31 December 2013 and 2012 is as follows:

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

NOTE 15 – COMMITMENTS (Continued)

CPMs given by the Group	31 December 2013			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	54.428	6.810	12.506	3.170
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	54.428	**6.810**	**12.506**	**3.170**
B. GPM given on behalf of subsidiaires that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
Total	**54.428**	**6.810**	**12.506**	**3.170**

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

NOTE 15 – COMMITMENTS (Continued)

	31 December 2012			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	97.111	6.090	8.027	67.378
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	97.111	**6.090**	**8.027**	**67.378**
B. GPM given on behalf of subsidiaires that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
Total	**97.111**	**6.090**	**8.027**	**67.378**

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 2013 is 0% (31 December 2012: 0%).

(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 2013 and 2012 are presented below:

	31 December 2013	31 December 2012
Other current assets		
Advances given	1.556	783
Transferred VAT	3.626	950
Other current assets	448	86
	5.630	**1.819**

	31 December 2013	31 December 2012
Other non-current assets		
Income accrual (Note 15)	5.157	-
Evacuation fee	1.726	2.511
Other	-	23
	6.883	**2.534**

The details of the other current liabilities as of 31 December 2013 and 2012 are presented below:

	31 December 2013	31 December 2012
Other current liabilities		
VAT payable	10.575	157
Other accrual expenses (*)	3.597	1.828
Other liabilities	732	892
	14.904	**2.877**

(*) Other accrual expenses consists of rent expense accruals, provision expenses for insurance policies, sales premium provisions of dealers, and provisions for other miscellaneous expenses.

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

NOTE 17 - EQUITY

	31 December		31 December	
Shareholders	**%**	**2013**	**%**	**2012**
Hacı Ömer Sabancı Holding A.Ş.	60,28	66.311	60,28	66.311
Sabancı ailesi	29,72	32.689	29,72	32.689
Halka açık	10,00	11.000	10,00	11.000
Nominal capital	100,0	110.000	100,0	110.000
Capital adjustment		**6.628**		**6.628**
Adjusted capital		**116.628**		**116.628**

Legal reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Details of the reserves are as follows:

	31 December 2013	31 December 2012
Legal reserves	758	758
	758	**758**

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

NOTE 18 – SALES AND COST OF SALES

The details sales and cost of sales as of 31 December 2013 and 2012 are stated below:

Sales income (net)	**1 January – 31 December 2013**	**1 January – 31 December 2012**
Consumer electronics retail sales	2.840.404	2.216.361
Sales of air conditioner, cash registers and white goods	116.870	117.015
	2.957.274	**2.333.376**
Cost of sales		
Cost of goods sold	(2.395.158)	(1.861.886)
Installation of warranty expenses of air conditioner, cash registers and white goods	(8.588)	(7.968)
	(2.403.746)	**(1.869.854)**

NOTE 19 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses as of 31 December 2013 and 2012 are stated below:

Marketing expenses	**1 January – 31 December 2013**	**1 January – 31 December 2012**
Personnel expenses	(138.201)	(112.928)
Rent expenses	(134.739)	(111.836)
Advertising and promotion expenses	(46.148)	(34.167)
Depreciation expenses	(24.838)	(19.826)
Transportation expenses	(23.272)	(18.117)
Energy, fuel and water expenses	(14.422)	(11.399)
Consulting expenses	(12.396)	(10.392)
Maintenance expenses	(7.355)	(5.709)
Travel expenses	(1.341)	(1.290)
Communication expenses	(1.482)	(1.205)
Other expenses	(15.049)	(12.600)
	(419.243)	**(339.469)**

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

NOTE 19 – MARKETING AND ADMINISTRATIVE EXPENSES (Continued)

The details of administrative expenses as of 31 December 2013 and 2012 are stated below:

Administrative expenses	1 January – 31 December 2013	1 January – 31 December 2012
Personnel expenses	(16.299)	(17.217)
IT expenses	(4.579)	(3.903)
Depreciation and amortization expenses	(4.216)	(3.306)
Rent expenses	(3.210)	(2.929)
Consulting expenses	(2.019)	(1.853)
Travel expenses	(650)	(551)
Energy, fuel and water expenses	(557)	(513)
Maintenance expenses	(173)	(177)
Other expenses	(2.013)	(1.672)
	(33.716)	**(32.121)**

NOTE 20 – OTHER INCOME AND EXPENSE

The details of other income as of 31 December 2013 and 2012 are stated below:

	1 January – 31 December 2013	1 January – 31 December 2012
Foreign exchange gains	6.985	2.777
Discount income	4.799	4.949
Gains from store evacuation and subleases	924	3.201
Gains from rental of stands in stores	665	970
Deductions from personnel	588	588
Gains from unused gift cheques	426	1.031
Gains on sale of assets	-	3.203
Other income	4.698	3.082
	19.085	**19.801**

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

NOTE 20 – OTHER INCOME AND EXPENSE (Continued)

The details of other expense as of 31 December 2013 and 2012 are stated below:

	1 January – 31 December 2013	1 January – 31 December 2012
Discount expenses	(28.109)	(30.598)
Foreign exchange losses	(4.321)	(3.376)
Loss from sale of tangible asset	(2.043)	-
Donation and aid	(1.000)	(20)
Litigation expenses	(967)	(1.335)
Commission expenses	(559)	-
Taxes, duties, charges and funds	(46)	(481)
Other expenses	(3.510)	(3.365)
	(40.555)	**(39.175)**

NOTE 21 – INVESTMENT INCOME

The details of financial income as of 31 December 2013 and 2012 are stated below:

	1 January – 31 December 2013	1 January – 31 December 2012
Interest income	8.597	7.534
	8.597	**7.534**

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

NOTE 22 – FINANCIAL EXPENSE

The details of financial expense as of 31 December 2013 and 2012 are stated below:

	1 January – 31 December 2013	1 January – 31 December 2012
Credit card commission expenses	(16.810)	(15.049)
Guarantee letters commission expenses	(230)	(167)
Interest and commission expenses	(35)	(12)
Other finance expenses	(133)	(112)
	(17.208)	**(15.340)**

NOTE 23 – TAXATION ON INCOME

Current tax liability	**31 December 2013**	**31 December 2012**
Current corporate tax provision	17.655	13.076
Less: prepaid taxes and funds	(12.990)	(7.723)
	4.665	**5.353**

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 2013 is 20% (2012: 20%) for the Group.

NOTE 23 – TAXATION ON INCOME (Continued)

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20%. (2012: 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 TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2012: 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.

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

NOTE 23 - TAXATION ON INCOME (Continued)

Deferred tax assets / (liabilities)	**31 December 2013**	**31 December 2012**
Reversal of income accruals arising from additional guarantees	5.376	2.348
Tax losses carried forward	3.253	-
Expense accruals	2.928	5.782
Inventories	1.791	1.935
Impairment of financial assets	1.322	1.322
Provision for employment termination benefits	481	288
Discount expenses	72	76
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(6.179)	(5.027)
Income accruals	(1.341)	(2.688)
Discount income	(632)	(537)
Other	138	(223)
	7.209	**3.276**

At the balance sheet date, the Group has unused tax losses of TRY 16.265 (2012: None.) available for offset against future profits. A deferred tax asset has been recognized in respect of TRY 3.253 (2012: TL None.) of such losses.

Expiration schedule of carry forward tax losses is as follows:

	31 December 2013	**31 December 2012**
Expiring in 2014	-	8
Expiring in 2015	223	223
Expiring in 2016	291	291
Expiring in 2017	4.414	4.414
Expiring in 2018	11.337	-
	16.265	**4.936**

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

NOTE 23 – TAXATION ON INCOME (Continued)

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

	1 January – 31 December 2013	1 January – 31 December 2012
Profit from continuing operations	70.488	64.752
Tax at the domestic income tax rate of 20% (2012: 20%)	%20	%20
Calculated tax	(14.098)	(12.950)
Tax effects of:		
- expenses that are not deductible in determining taxable profit	(1.397)	(436)
- revenue that is exempt from taxation	522	-
- unused tax losses and tax offsets not recognised as deferred tax assets	-	(987)
- previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	987	-
- other	213	156
Income tax expense recognised in profit or loss	(13.773)	(14.217)

NOTE 24 – EARNINGS 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:

	1 January – 31 December 2013	1 January – 31 December 2012
Weighted average number of ordinary shares outstanding during the period (in full)	110.000.000	110.000.000
Net profit for the year attributable to owners of the company/Group		
	56.715	50.535
Basic earnings per share from continuing operations		
	0,5156	0,4594

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.

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 2013, The Group has not any private sector bonds which are quoted in "interbank bond market" (2012: TRY 3.009). Such financial assets which are carried at their fair value are deemed as Level 1 financial instruments as result of the quotation to "interbank bond market".

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

NOTE 26 - 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. The gearing ratios at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Total borrowings	-	-
Less: cash and cash equivalents	(320.182)	(355.210)
Net debt	(320.182)	(355.210)
Total equity	252.744	196.237
Total capital	(67.438)	(158.973)
Gearing ratio	**4,75**	**2,23**

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 nest day when the sale made within the scope of the credit card sales contracts made under the various banks and financial institutions. Other trade receivables, cheques and notes are due from dealer sales of air-conditioning, cash register and white goods. The Group has set up an effective control system on the dealers that are followed by credit risk management and each debtors have their own credit limit. The Group consider the past experience and collateral from dealers (Note 6).

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

NOTE 26 - 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 2013 is as follows:

	Trade Receivables		
31 December 2013	**Related Party**	**Other**	**Deposits at banks**
The maximum credit risk exposure as of reporting date (*)	393	17.225	319.224
- Collateralised part of maximum credit risk (**)	-	11.366	-
A. Net carrying value of neither overdue nor impaired financial assets	393	15.497	-
B.Net carrying value of overdue but not impaired assets	-	1.728	-
C. Net carrying value of impaired assets			
- Overdue (gross carrying value)	-	209	-
- Provision for impairment (-)	-	(209)	-
- Amount of risk covered by guarantees	-	-	-

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

NOTE 26 - 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 2012 is as follows:

	Trade Receivables		
31 December 2012	**Related Party**	**Other**	**Deposits at banks**
The maximum credit risk exposure as of reporting date (*)	1.750	19.225	354.167
- Collateralised part of maximum credit risk (**)	-	12.817	-
A. Net carrying value of neither overdue nor impaired financial assets	1.750	18.068	354.167
B.Net carrying value of overdue but not impaired assets	-	1.157	-
C. Net carrying value of impaired assets			
- Overdue (gross carrying value)	-	924	-
- Provision for impairment (-)	-	(924)	-
- Amount of risk covered by guarantees	-	-	-

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

NOTE 26 - 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 1.211.034 that the Group can utilize whenever needed (2012: TRY 854.185).

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

	Carrying value	Contractual cash flows (I+II+III)	Less than3 months (I)	3 months to 1 year (II)	1 - 5 years (III)
Non-derivative financial liabilities					
Trade payables	738.230	741.369	741.369	-	-
Related party	*1.905*	*1.905*	*1.905*	-	-
Third party	*736.325*	*739.464*	*739.464*	-	-
Other payables	722	722	722	-	-
Other	*722*	*722*	*722*	-	-
Total liabilities	**738.952**	**742.091**	**742.091**	**-**	**-**

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

NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b.2) Liquidity risk (continued)

	Carrying value	Contractual cash flows (I+II+III)	Less than3 months (I)	3 months to 1 year (II)	1 - 5 years (III)
Non-derivative financial liabilities					
Trade payables	758.301	760.286	760.286	-	-
Related party	*2.943*	*2.943*	*2.943*	-	-
Third party	*755.358*	*757.343*	*757.343*	-	-
Other payables	590	590	590	-	-
Other	*590*	*590*	*590*	-	-
Total liabilities	**758.891**	**760.876**	**760.876**	**-**	**-**

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

NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign Currency Risk

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

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.

Foreing Currency Position					**31 December 2013**
	Equivalents of TRY	**USD**	**Euro**	**GBP**	**Other**
1. Trade receivable	2.112	965	17	-	109
2a. Monetary Financial Assets	9	3	1	-	-
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	10.785	3.229	1.326	-	-
4. CURRENT ASSETS	**12.906**	**4.197**	**1.344**	**-**	**109**
5. Trade Receviables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-	-
7. Other	284	133	-	-	-
8. NON CURRENT ASSETS	**284**	**133**	**-**	**-**	**-**
9. TOTAL ASSETS	**13.190**	**4.330**	**1.344**	**-**	**109**
10. Trade payables	1.076	167	245	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	1.823	338	375	-	-
12b. Non Monetary Other Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	**2.899**	**505**	**620**	**-**	**-**

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

NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreing Currency Position					31 December 2013
	Equivalents of TRY	USD	Euro	GBP	Other
14. Trade payables	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-
16b. Non Monetary Other Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	**2.899**	**505**	**620**	**-**	**-**
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)	10.291	3.825	724	-	109
21. Monetary items net foreign currency assets/(liabilities)					
position (1+2a+5+6a-10-11-12a-14-15-16a)	(778)	463	(602)	-	109
22. Total fair value of foreign currency hedge					
23. The amount for the hedged portion foreign curreny assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

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

NOTE 26- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreing Currency Position					31 December 2012
	Equivalents of TRY	USD	Euro	GBP	Other
1. Trade receivable	1.940	1.019	52	-	2
2a. Monetary Financial Assets	6.555	3.651	17	-	7
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	58	31	1	-	-
4. CURRENT ASSETS	**8.553**	**4.701**	**70**	**-**	**9**
5. Trade Receviables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-	-
7. Other	237	133	-	-	-
8. NON CURRENT ASSETS	**237**	**133**	**-**	**-**	**-**
9. TOTAL ASSETS	**8.790**	**4.834**	**70**	**-**	**9**
10. Trade payables	12.547	5.985	799	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Non Monetary Other Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	**12.547**	**5.985**	**799**	**-**	**-**
14. Trade payables	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-
16b. Non Monetary Other Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	**-**	**-**	**-**	**-**	**-**

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

NOTE 26- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreing Currency Position				31 December 2012	
	Equivalents of TRY	USD	Euro	GBP	Other
18. TOTAL LIABILITIES	**12.547**	**5.985**	**799**	**-**	**-**
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)	(3.757)	(1.151)	(729)	-	9
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(4.052)	(1.315)	(730)	-	9
22. Total fair value of foreign currency hedge	-	-	-	-	-
23. The amount for the hedged portion foreign curreny assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

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

NOTE 26 - 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 2013**	
	Profit / Loss	
	Appreciation of foreign currencies	**Depreciation of foreign currencies**
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	99	(99)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1 +2)	**99**	**(99)**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(177)	177
5 - Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	**(177)**	**177**
In case 10% appreciation of other foreign currencies against TL		
1 - Other foreign currencies net assets/liabilities	1	(1)
8- Amount hedged for other foreigfn currencies risk (-)	-	-
9- Other foreign currencies net effect (7+8)	**1**	**(1)**
TOTAL (3 + 6 +9)	**(77)**	**77**

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

NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency sensitivity table		**31 December 2012**
		Profit / Loss
	Appreciation of foreign currencies	**Depreciation of foreign currencies**
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	(234)	234
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1 +2)	**(234)**	**234**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(172)	172
5 - Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	**(172)**	**172**
In case 10% appreciation of other foreign currencies against TL		
1 - Other foreign currencies net assets/liabilities	1	(1)
8- Amount hedged for other foreigfn currencies risk (-)	-	-
9- Other foreign currencies net effect (7+8)	**1**	**(1)**
TOTAL (3 + 6 +9)	**(405)**	**405**

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

NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Categories of financial instruments and fair values

31 December 2013	Loans and receivables	FVTPL	Financial liabilities at amortized costs	Carrying value	Note
Financial assets					
Cash and cash equivalents	320.182	-	-	320.182	5
Trade receivables (including related parties)	39.364	-	-	39.364	6

31 December 2012	Loans and receivables	FVTPL	Financial liabilities at amortized costs	Carrying value	Note
Financial assets					
Cash and cash equivalents	355.210	-	-	355.210	5
Trade receivables (including related parties)	44.187	-	-	44.187	6
		-	-	-	
Financial liabilities					
Trade payables (including related parties)	-	-	758.301	758.301	6

NOTE 27 – EVENTS AFTER BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group opened two new stores in Ankara and Tekirdağ. The retail sales area of the Group has increased by 566 meter squares through these new stores.

In addition, the Group has made some of changes in three stores located in Ankara, Yalova and Adapazarı with the intent of revision. The related changes increased the retail sales area of the Group by 332 meter squares.

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