TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

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

The Group management's *Responsibility for the Consolidated Financial Statements*

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

Auditor's responsibility

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

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group management, as well as evaluating the overall presentation of the financial statements.

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

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

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

Additional Paragraph for Convenience Translation into English

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

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

Gökhan Yüksel, SMMM
Partner

Istanbul, 13 February 2013

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2012 AND 2011
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2012 AND 2011
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

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

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

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

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

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

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

Batman Sokak Teknosa Plaza No: 18
Sahrayıcedit - İstanbul

Subsidiaries

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Financial Reporting Standards

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

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

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

2.1 Financial Reporting Standards (Continued)

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

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

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

2.2 Basis of consolidation

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

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

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

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

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

2.3 Summary of significant accounting policies

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

Cash and cash equivalents

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

Related parties

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

Trade receivables

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

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

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

Inventories and cost of goods sold

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventory are purchase costs and other transportation costs necessary to prepare the asset for its intended use. Cost is determined by the moving weighted average method. Costs related to the shipment of the inventories from main warehouse and the region warehouses to the stores are booked as expense. Net realizable value is the estimated selling price in the ordinary course of business, less the selling expenses. Benefits obtained from suppliers in the normal course of business, such as rebates, stock protection and similar benefits are deducted from the cost of the related inventory item and are associated with cost of goods sold (Note 7).

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

2.3 Summary of significant accounting policies (Continued)

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

Stock Protection: Stock protection is charged to suppliers in order to increase the sales performance of the older versions of certain products when newer versions are introduced.

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

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

Investment property

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

Property, plant and equipment and depreciation

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

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

Intangible assets and amortization

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

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

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

2.3 Summary of significant accounting policies (Continued)

Impairment of financial assets

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

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

Trade payables

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

Leases - the Group as the lessee

Operating leases

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

Provisions, contingent liabilities and contingent assets

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

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

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

2.3 Summary of significant accounting policies (Continued)

Statement of cash flows

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

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

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

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

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

Borrowings

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

Taxes on income

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

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

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

2.3 Summary of significant accounting policies (Continued)

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

Provision for employment termination benefits

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

Earnings per share

Earnings per share disclosed in the statement of consolidated comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 22).

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

Foreign currency transactions and balances

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

Revenue recognition

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

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

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

2.3 Summary of significant accounting policies (Continued)

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

Interest income is recorded by using the effective interest rate.

Warranty expenses and provisions

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

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

Business combinations

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

Excess of acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. If this amount is lower than the market value of the net assets of the subsidiary acquired, the excess amount is recognized directly in the income statement (Note 26).

Segment reporting

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

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

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).

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

2.3 Summary of significant accounting policies (Continued)

Share capital and dividends

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

Offsetting

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

Subsequent events

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

2.4 Significant accounting estimates and decisions

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

Useful lives of tangible and intangible assets

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

Impairment on tangible and intangible assets

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

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

2.5 Amendments and Interpretations in Standards

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

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

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

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

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

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

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

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

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

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

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

2.5 Amendments and Interpretations in Standards (Continued)

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

- IFRS 9, "Financial instruments: Classification and Measurement", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.
- IFRIC 20, "Stripping costs in the production phase of a surface mine"

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

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

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

NOTE 3 - SEGMENT REPORTING

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

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

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

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

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

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

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

NOTE 5 - TRADE RECEIVABLES AND TRADE PAYABLES

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

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

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

NOTE 5 - TRADE RECEIVABLES AND TRADE PAYABLES (Continued)

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

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

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

NOTE 6 - OTHER RECEIVABLES AND PAYABLES

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

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

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

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

NOTE 7 - INVENTORIES

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

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

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

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

NOTE 8 - INVESTMENT PROPERTY

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

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

NOTE 8 - INVESTMENT PROPERTY (Continued)

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

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

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

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

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

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

Transfers are related to the intangible assets (Note10).

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

NOTE 10 - INTANGIBLE ASSETS

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

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

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

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease agreements

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

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

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

Customs duty and penalty

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

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

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

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Collateral, pledge and mortgage position

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

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

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

NOTE 12 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

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

NOTE 12 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. CMB Financial Reporting Standards actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as of 31 December 2012 and 2011.

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

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

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

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

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

NOTE 13 - OTHER ASSETS AND LIABILITIES

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

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

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

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

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

NOTE 14 - EQUITY

Capital

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

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

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

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

Restricted reserves

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

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

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

NOTE 14 - EQUITY (Continued)

Retained Earnings/Accumulated Losses

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

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

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

NOTE 15 - SALES AND COST OF SALES

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

Revenue:

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

Cost of sales:

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

NOTE 16 - OPERATING EXPENSES

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

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

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

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

NOTE 17 - EXPENSES BY NATURE

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

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

NOTE 18 - OTHER OPERATING INCOME / EXPENSES

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

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

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

NOTE 19 - FINANCIAL INCOME

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

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

NOTE 20 - FINANCIAL EXPENSES

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

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

NOTE 21 - TAX ASSETS AND LIABILITIES

Corporate tax

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

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

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

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

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

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

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

NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

Deferred income taxes

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

NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

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

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

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

NOTE 22 - EARNINGS PER SHARE

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

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

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

a) Due from related parties:

	2012	2011
Akbank T.A.Ş.	6.269	2.884
Other	137	418
	6.406	**3.302**

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

b) Due to related parties:

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

c) Deposits at related parties:

	2012	2011
Akbank T.A.Ş.		
- Demand deposit	603	3.228
- Time deposit	353.197	177.591
	353.800	**180.819**

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

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

a) Product sales to related parties:

	2012	2011
Akbank T.A.Ş.	4.877	1.463
Aksigorta A.Ş.	554	237
Dia Sabancı Süpermarketleri Ticaret A.Ş.	123	525
Philip Morris Sabancı Pazarlama Satış A.Ş.	54	242
Other	720	363
	6.328	**2.830**

b) Rent expenses arising from lease agreements with related parties:

	2012	2011
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	2.486	2.682
Other	42	38
	2.528	**2.720**

c) Service and product purchases from related parties:

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

d) Interest income from related parties:

	2012	2011
Akbank T.A.Ş.	7.498	5.222
	7.498	**5.222**

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

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

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

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

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

NOTE 24 - FINANCIAL RISK MANAGEMENT

24.1 Financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Significant part of trade receivables comprise credit card receivables and the Group has is not exposed to credit risk concerning credit card receivables. The Group collects the instalments of its credit card sales according to the mutually agreed discount rates with the banks and financial institutions on the nest day when the sale made within the scope of the credit card sales contracts made under the various banks and financial institutions. Other trade receivables, cheques and notes are due from dealer sales of air-conditioning, cash register and white goods. The Group has set up an effective control system on the dealers that are followed by credit risk management and each debtors have their own credit limit. The Group consider the past experience and collateral from dealers (Note 5).

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

The Group management holds adequate cash, credit commitment and credit card receivables that will meet the need for cash for recent future in order to manage its liquidity risk. In this context, the Group has credit commitment agreements (monetary and non-monetary) from banks amounting to TL854.185 that the Group can utilize whenever needed (2011: TL774.540).

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

2012

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

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

2011

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

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

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

Foreign currency risk

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

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

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

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

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

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

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

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

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

24.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total payables (including borrowings, trade payables, due to related parties and advances received, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt. The gearing ratios at 31 December 2012 and 2011 are as follows:

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

NOTE 25 - FINANCIAL INSTRUMENTS

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

NOTE 25 - FINANCIAL INSTRUMENTS (Continued)

Monetary assets

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

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

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

Monetary liabilities

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

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

Fair value estimation

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

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

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

NOTE 26 - BUSINESS COMBINATIONS

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

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

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

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

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

NOTE 27 - SUBSEQUENT EVENTS

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

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

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