

TEKNOSA İÇ VE DİŐ TİCARET A.Ő.

**CONVENIENCE TRANSLATION
INTO ENGLISH OF CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY – 30 SEPTEMBER 2013**

CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW AND THE FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

We have reviewed the accompanying condensed consolidated balance sheet of Teknosa İç ve Dış Ticaret A.Ş. ("the Company") and its subsidiary (together "the Group") as of 30 September 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and consolidated statement of cash flows for the nine-month period ended. Group Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with auditing standards published by the Capital Markets Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards published by Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Teknosa İç ve Dış Ticaret A.Ş. and its subsidiary as of 30 September 2013 and of its financial performance and its statement of cash flows for the nine-month period then ended in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority.

Other matter

The review of the consolidated interim financial information of the Group for the nine-month period ended 30 September 2012 and the audit of the consolidated financial statements for the year ended 31 December 2012 was performed by another independent auditing firm. On 12 November 2012 the predecessor auditing firm concluded that nothing has come to its attention that causes to believe that the consolidated interim financial information for nine-month period ended 30 September 2012 is not prepared in all material respects in accordance with financial reporting standards issued by the Capital Markets Board and expressed an unqualified opinion in the auditor's report dated 13 February 2013 on consolidated financial statements as of 31 December 2012.

İstanbul, 4 November 2013

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


Ömer Tanrıöver
Partner

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2013

CONTENTS	PAGE
CONDENSED CONSOLIDATED BALANCE SHEET.....	1-2
CONDENSED CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT.....	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	4
CONDENSED CONSOLIDATED CASH FLOW STATEMENT.....	5
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	6-34
NOTE 1 ORGANIZATIONS AND NATURE OF BUSINESS	6
NOTE 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS	6-15
NOTE 3 SEGMENT REPORTING.....	15-18
NOTE 4 RELATED PARTY TRANSACTIONS.....	19-20
NOTE 5 CASH AND CASH EQUIVALENTS.....	21
NOTE 6 TRADE RECEIVABLES AND PAYABLES	21-22
NOTE 7 INVENTORIES.....	22
NOTE 8 PREPAID EXPENSES	22
NOTE 9 PROPERTY, PLANT AND EQUIPMENT.....	23-24
NOTE 10 DUE TO EMPLOYEES.....	25
NOTE 11 DEFERRED REVENUE.....	25
NOTE 12 OTHER CURRENT LIABILITIES	25
NOTE 13 COMMITMENTS AND CONTINGENT LIABILITIES.....	26-27
NOTE 14 SALES AND COST OF SALES	28
NOTE 15 ADMINISTRATIVE EXPENSES.....	28
NOTE 16 MARKETING EXPENSES.....	29
NOTE 17 FINANCIAL INCOME.....	29
NOTE 18 FINANCIAL EXPENSE.....	30
NOTE 19 FINANCIAL RISK MANAGEMENT.....	30-33
NOTE 20 SUBSEQUENT EVENTS.....	34

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**CONDENSED CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2013**

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

		Current period (Reviewed) 30 September 2013	Restated Prior period (Audited) 31 December 2012
	Notes		
ASSETS			
Current Assets		687.903	884.798
Cash and cash equivalents	5	124.118	355.210
Financial investments		3.000	3.009
Trade receivables	6	38.655	44.187
<i>Due from related parties</i>	4	821	6.802
<i>Due from third parties</i>		37.834	37.385
Inventories	7	478.714	466.678
Prepaid expenses	8	37.714	13.895
Other current assets		5.702	1.819
Non current assets		153.500	125.024
Other receivable		5.790	584
Investment property		10.982	11.124
Property, plant and equipment	9	114.956	94.072
Intangible assets		10.887	9.422
Prepaid expenses		3.367	4.012
Deferred tax assets		5.596	3.276
Other non current assets		1.922	2.534
TOTAL ASSETS		841.403	1.009.822

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2013

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

		Current period (Reviewed) 30 September 2013	Restated Prior period (Audited) 31 December 2012
	Notes		
LIABILITIES			
Current liabilities		596.395	811.440
Trade payables	6	518.926	757.617
<i>Due to related parties</i>	4	1.027	2.943
<i>Due to third parties</i>		517.899	754.674
Liabilities related to employee benefits	10	8.149	8.056
Other payables		389	590
Deferred income	11	19.925	24.334
Current period tax liability		5.612	5.353
Short term provisions		6.832	11.346
<i>Provisions related to employee benefits</i>		4.993	10.454
<i>Other short term provisions</i>		1.839	892
Other current liabilities	12	36.562	4.144
Non current liabilities		3.752	2.145
Provisions for employment termination benefits		3.752	2.113
Other payables		-	32
EQUITY		241.256	196.237
Share capital		110.000	110.000
Adjustment to share capital		6.628	6.628
Restricted reserves		8.630	8.630
Other reserves		3	3
Retained earnings		70.976	20.533
Net profit for the period		45.019	50.443
TOTAL LIABILITIES		841.403	1.009.822

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30
SEPTEMBER 2013**

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

	Notes	Current period (Reviewed) 1 January – 30 September 2013	Prior period (Reviewed) 1 July – 30 September 2013	Prior period (Reviewed) 1 January – 30 September 2012	Prior period (Reviewed) 1 July – 30 September 2012
Revenue	14	2.140.942	786.195	1.579.445	586.770
Cost of sales (-)	14	(1.738.978)	(632.642)	(1.252.544)	(471.106)
GROSS PROFIT		401.964	153.553	326.901	115.664
Marketing expenses (-)	16	(302.059)	(110.328)	(244.077)	(83.540)
General administrative expenses (-)	15	(25.414)	(9.007)	(21.925)	(7.743)
Other operating incomes		7.562	2.583	12.242	1.828
Other operating expenses (-)		(22.870)	(8.998)	(24.561)	(8.189)
OPERATING PROFIT		59.183	27.803	48.580	18.020
Financial income	17	7.861	3.562	5.067	1.803
Financial expense (-)	18	(11.820)	(4.600)	(11.185)	(3.252)
PROFIT BEFORE TAX		55.224	26.765	42.462	16.571
Tax expense		(10.205)	(5.408)	(9.036)	(3.543)
- Current tax expense		(12.526)	(6.011)	(7.720)	(4.097)
- Deferred tax (expense) / income		2.321	603	(1.316)	554
NET PROFIT FOR THE PERIOD		45.019	21.357	33.426	13.028
Earnings per share (1000 shares)		0,409	0,194	0,304	0,118

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 SEPTEMBER 2013

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

	Share capital	Adjustment to share capitals	Restricted reserves	Other reserves	Accumulated profit / (loss)	Net profit / (loss)	Total
Prior period							
Balance at 1 January 2012	110.000	6.628	8.630	3	(29.692)	50.225	145.794
Transfer to retained earnings/(losses)	-	-	-	-	50.225	(50.225)	-
Total comprehensive income	-	-	-	-	-	33.426	33.426
Balance at 30 September 2012	110.000	6.628	8.630	3	20.533	33.426	179.220
Current Period							
Balance at 1 January 2013	110.000	6.628	8.630	3	20.533	50.443	196.237
Transfer to retained earnings/(losses)	-	-	-	-	50.443	(50.443)	-
Total comprehensive income	-	-	-	-	-	45.019	45.019
Balance at 30 September 2013	110.000	6.628	8.630	3	70.976	45.019	241.256

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 SEPTEMBER 2013

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

	Notes	Current period (Reviewed) 1 January – 30 September 2013	Restated Prior period (Reviewed) 1 January – 30 September 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		55.224	42.462
Adjustments:			
Interest expense, credit cards' commissions and other financing expenses		11.820	57.227
Depreciation and amortization expenses		20.884	18.203
Retirement pay provision		2.925	1.571
Unused vacation provision		39	63
Loss arising tangible assets' disposal of closed down stores		2.474	3.287
Release of impairment of tangible assets related to the stores to be closed, net		(401)	(3.379)
Provision for impairment on inventories	7	895	1.767
Interest income	17	(5.842)	(4.981)
		88.018	116.220
Operating cash flows before changes in working			
Decrease / (increase) in trade receivables and other receivables		1.174	(8.029)
Decrease in trade receivables from related parties		5.981	78
Increase in inventories		(12.931)	(165.654)
Increase in other current assets and prepaid expenses		(27.056)	(22.332)
Increase in other non current assets		(4.594)	(497)
(Decrease) / increase in trade payables		(236.775)	62.351
Decrease in trade payables to related parties		(1.916)	(1.134)
Increase in other current liabilities		24.398	16.148
Decrease in other non current liabilities		(707)	(5)
Retirement pay provision paid		(1.661)	(1.362)
Current tax paid		(12.267)	(3.624)
Cash used in operations		(178.336)	(7.840)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of tangible assets		(42.155)	(28.032)
Purchase of intangible assets		(4.623)	(2.539)
Interest received		5.650	4.934
Cash used in investment activities		(41.128)	(25.637)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest, credit card commissions and other finance costs paid		(11.628)	(57.227)
Cash used in financing activities		(11.628)	(57.227)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(231.092)	(90.704)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		355.210	186.596
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		124.118	95.892

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 1 – ORGANIZATIONS AND NATURE OF BUSINESS

Teknosa İç ve Dış Ticaret A.Ş., (“Teknosa” or “The Company”) was established at 9 March 2000, and is engaged in retail sales of consumer electronics through its stores and website “www.teknosa.com” and air conditioners and white goods through its dealers. The Company’s parent is Hacı Ömer Sabancı Holding A.Ş. and it is ultimately controlled by Sabancı Family members. The number of personnel of the Company is 4.040 as of 30 September 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 293 stores with 163.314 square meters retail space as of 30 September 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 20. 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”.

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

NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Basis of presentation of consolidated financial statements:

The Company and its Turkish subsidiaries 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 September 2013 and published in the Official Gazette numbered 28676 and are based on the Turkish Accounting Standards/ Turkish Financial Reporting Standards and relating interpretations which became effective with the 5th Article of the Decree in consideration by Public Oversight Accounting and Auditing Standards Authority. Additionally consolidated financial statements and disclosures are presented in accordance with the formats published by CMB on 7 September 2013.

The Group prepared its consolidated financial statements for the six-month period ended as at 30 September 2013 in accordance with IAS 34 “Interim Financial Statements”.

The Group’s condensed consolidated do not contain all necessary explanations and disclosures presented in the yearend financial statements, therefore, should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (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 IAS/ IFRS) to cease the inflation accounting application as of 1 January 2005. Based on this requirement, the application of IAS 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 September 2013. The details of the reclassifications are as follows:

- 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”.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

**NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL
REPORTING STANDARDS (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 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 239, TRY 892 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".
- 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".

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

**NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL
REPORTING STANDARDS (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
<i>Due from related parties</i>	6.406	6.802
<i>Due from third parties</i>	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	757.617
<i>Due to related parties</i>	2.547	2.943
<i>Due to third parties</i>	760.158	754.674
Payables related to employee benefits	-	8.056
Deferred revenue	-	24.334
Short term provisions	-	11.346
<i>Provisions related to employee benefits</i>	-	10.454
<i>Other short term provisions</i>	8.646	892
Other current liabilities	34.943	4.144
Non current liabilities	1.470	2.145
<i>Provisions for employment termination benefits</i>	1.438	2.113

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

**NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL
REPORTING STANDARDS (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 IFRSs 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 IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 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 IAS 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 IAS 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 IAS 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 IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

**NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL
REPORTING STANDARDS (Continued)**

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

b) New and Revised IFRSs 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 IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below:

IFRS 10 replaces the parts of IAS 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 IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 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 IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 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 IFRS 11. Under IFRS 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 IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 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 IFRS 12 are more extensive than those in the current standards.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

**NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL
REPORTING STANDARDS (Continued)**

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

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

IFRS 13 Fair Value Measurement

IFRS 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 IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 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 IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 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.

Amendments to IAS 1 Presentation of Financial Statements

(as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012)

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

IAS 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 IAS 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

**NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL
REPORTING STANDARDS (Continued)**

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

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

IAS 19 Employee Benefits

The amendments to IAS 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 IAS 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 IAS 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 IAS 19 require retrospective application.

Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to IFRS 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 IFRSs 2009 - 2011 Cycle issued in May 2012

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

Amendments to IAS 16

The amendments to IAS 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 IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

**NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL
REPORTING STANDARDS (Continued)**

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

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

Amendments to IAS 34

The amendments to IAS 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 IAS 34 did not have an effect on the Group's consolidated financial statements.

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

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

IFRS 9	<i>Financial Instruments²</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures²</i>
Amendments to IFRS 10, 11, IAS 27	<i>Investment Entities¹</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
IFRIC 21	<i>Levies¹</i>

¹ Effective for annual periods beginning on or after 1 January 2014.

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 2 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

2.5 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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 295 of impairment reversal as of 30 September 2013 (31 December 2012: TRY 4.250)

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.

The details of the segment reporting are as follows:

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 3 – SEGMENT REPORTING (Continued)

	1 January - 30 September 2013		
	Retailer	Dealer	Total
Total section income	2.049.913	91.029	2.140.942
Income from third party customers	2.049.913	91.029	2.140.942
Profit before interest, severance pay, depreciation and amortization	88.584	9.716	98.300
Depreciation and amortization	(20.652)	(232)	(20.884)
Taxation on income	(8.057)	(2.148)	(10.205)
Total assets	623.415	77.650	701.065
Total liabilities	550.934	1.657	552.591

	1 July - 30 September 2013		
	Retailer	Dealer	Total
Total section income	753.593	32.602	786.195
Income from third party customers	753.593	32.602	786.195
Profit before interest, severance pay, depreciation and amortization	38.510	4.218	42.728
Depreciation and amortization	(7.380)	(80)	(7.460)
Taxation on income	(4.357)	(1.051)	(5.408)
Reversal of impairment charge, net	(383)	-	(383)

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 3 – SEGMENT REPORTING (Continued)

	1 January - 30 September 2012		
	Retailer	Dealer	Total
Total section income	1.490.011	89.434	1.579.445
Income from third party customers	1.490.011	89.434	1.579.445
Profit before interest, severance pay, depreciation and amortization	66.503	14.170	80.673
Depreciation and amortization	(17.867)	(336)	(18.203)
Taxation on income	(6.296)	(2.740)	(9.036)
Reversal of impairment charge, net	1.612	-	1.612
Total assets	523.614	47.959	571.573
Total liabilities	490.025	1.223	491.248

	1 July - 30 September 2013		
	Retailer	Dealer	Total
Total section income	549.227	37.543	586.770
Income from third party customers	549.227	37.543	586.770
Profit before interest, severance pay, depreciation and amortization	24.333	6.773	31.106
Depreciation and amortization	(5.954)	(103)	(6.057)
Taxation on income	(1.679)	(1.864)	(3.543)
Reversal of impairment charge, net	(1.462)	-	(1.462)

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

NOTE 3 – SEGMENT REPORTING (Continued)

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
EBITDA for reportable segment information	98.300	42.728	80.673	31.106
Depreciation	(20.884)	(7.460)	(18.203)	(6.057)
Financial expenses - net	(3.959)	(1.038)	(6.118)	(1.449)
Other expense - net	(15.308)	(6.415)	(12.319)	(6.361)
Provision for employee termination benefits	(2.925)	(1.050)	(1.571)	(668)
Profit before tax	55.224	26.765	42.462	16.571

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

(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.

	30 September 2013	
	Receivables	Payables
	Current	Current
Balances with related parties	Trading	Trading
Akbank T.A.Ş.	694	-
Avivasa Emeklilik ve Hayat A.Ş.	-	(1)
Akçansa Çimento San. ve Tic. A.Ş.	38	-
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	86	-
Philip Morris Sabancı Pazarlama Satış A.Ş.	3	-
Enerjisa Enerji A.Ş. and its subsidiaries	-	(728)
Aksigorta A.Ş.	-	(56)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	(88)
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	-	(154)
	<u>821</u>	<u>(1.027)</u>

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

	30 September 2013	31 December 2012
<u>Deposit accounts in Akbank T.A.Ş.</u>		
Demand deposit	307	603
Time deposit	122.203	353.197
	<u>122.510</u>	<u>353.800</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 4 – RELATED PARTY TRANSACTIONS (Continued)

<u>Transactions with related parties</u>	<u>1 January - 30 September 2013</u>		
	<u>Sales</u>	<u>Rent expense</u>	<u>Other income/(expense)</u>
Akbank T.A.Ş.	2.081	-	2.966
Avivasa Emeklilik ve Hayat A.Ş.	302	-	(1.743)
Akçansa Çimento San. ve Tic. A.Ş.	243	-	-
Aksigorta A.Ş.	183	-	-
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	134	-	-
H.Ö. Sabancı Holding A.Ş.	97	(12)	(100)
Kordsa Global Endüstriyel İplik ve Kord Bezi San. Ve Tic. A.Ş.	21	-	-
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	13	(2.948)	-
Enerjisa Enerji A.Ş. and its subsidiaries	-	-	(4.569)
Other	16	-	-
	<u>3.090</u>	<u>(2.960)</u>	<u>(3.446)</u>

<u>Transactions with related parties</u>	<u>1 January - 30 September 2012</u>		
	<u>Sales</u>	<u>Rent expense</u>	<u>Other income/(expense)</u>
Akbank T.A.Ş.	2.657	-	-
Aksigorta A.Ş.	478	-	(1.917)
Enerjisa Toptan Satış A.Ş.	-	-	(3.966)
Avivasa Emeklilik ve Hayat A.Ş.	-	-	(129)
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	-	-	(1.568)
Carrefoursa Carrefour Sabancı Tic. Mer. A.Ş.	-	(1.914)	-
Olmuksa International Paper Sabancı Ambalaj Sanayi ve Ticaret A.Ş.	-	-	(133)
Vista Turizm ve Seyahat A.Ş.	-	-	(2.034)
Other	508	(31)	(1.034)
	<u>3.643</u>	<u>(1.945)</u>	<u>(10.781)</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

(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 30 September 2013 and 31 December 2012 are as follows:

	30 September 2013	31 December 2012
Cash	837	1.043
Demand deposit	855	970
Time deposit	122.426	353.197
	<u>124.118</u>	<u>355.210</u>

As of 30 September 2013, the annual interest rate is 0,41% and total foreign currency time deposits amount to USD 80 (31 December 2012: USD 3.615, 43% - 2,80%). As of 31 September 2013, the interest rate of the TRY time deposits is 8,80% (31 December 2012: 9,19%).

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 30 September 2013 and 31 December 2012 are as follows:

<i>Current trade receivables</i>	30 September 2013	31 December 2012
Trade receivables	27.248	24.910
Due from related parties (Note 4)	821	6.802
Notes receivables	11.612	13.399
Allowance for doubtful receivables (-)	(1.026)	(924)
	<u>38.655</u>	<u>44.187</u>

As of 30 September 2013, TRY 7.697 amount of trade receivables consist of receivables from credit card slips (31 December 2012: TRY 11.754).

As of 30 September 2013 and 31 December 2012, the Group has hold the below given guarantees for its checks and notes (except receivables from credit card slips).

	30 September 2013	31 December 2012
Letters of guarantees received	18.667	15.338
Cash deposits and guarantees	-	590
Mortgages	29.642	27.842
	<u>48.309</u>	<u>43.770</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

	30 September 2013	31 December 2012
<i>Current trade payables</i>		
Trade payables	516.894	754.435
Trade payables to related parties (Note 4)	1.027	2.943
Expense accruals	1.005	239
	<u>518.926</u>	<u>757.617</u>

As of 30 September 2013, income accruals related to suppliers in the amount of TRY 35.700 were net off its trade payables (31 December 2012: TRY 10.955).

NOTE 7 - INVENTORIES

The details of the inventories as of 30 September 2013 and 31 December 2012 are presented below:

	30 September 2013	31 December 2012
Trade goods	479.447	468.456
Goods in transit	2.661	721
Less: Provision of impairment on inventories	(3.394)	(2.499)
	<u>478.714</u>	<u>466.678</u>

Movement of provision of impairment on inventories

	1 January- 30 September 2013	1 January- 30 September 2012
Opening balance at 1 January	(2.499)	(2.091)
Charge for the year	(1.364)	(2.220)
Provisions released	469	453
Closing balance at 30 September	<u>(3.394)</u>	<u>(3.858)</u>

NOTE 8 – PREPAID EXPENSES

The details of other current assets as of 30 September 2013 and 31 December 2012 are presented below:

	30 September 2013	31 December 2012
Order advances given for inventory purchase	27.713	5.295
Short term prepaid expenses	10.001	8.600
	<u>37.714</u>	<u>13.895</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 9 – PROPERTY, PLANT AND EQUIPMENTS

The movement of tangible assets and related accumulated depreciation as of 30 September 2013 is as below:

Cost value	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction on progress	Total
Opening balance at 1 January 2013	3.444	6.217	327	77	66.388	87.739	3.135	167.327
Additions	-	53	66	9	9.770	12.194	20.063	42.155
Disposals	-	-	(37)	-	(4.765)	(1.543)	-	(6.345)
Transfer from construction on progress (*)	-	-	-	-	4.336	12.427	(18.377)	(1.614)
Closing balance at 30 September 2013	3.444	6.270	356	86	75.729	110.817	4.821	201.523
Accumulated depreciation								
Opening balance at 1 January 2013	-	(282)	(286)	(64)	(36.069)	(36.554)	-	(73.255)
Current charge	-	(226)	(20)	(6)	(7.318)	(10.014)	-	(17.584)
Disposals	-	-	37	-	2.898	936	-	3.871
Reversal of impairments	-	-	1	-	303	97	-	401
Closing balance at 30 September 2012	-	(508)	(268)	(70)	(40.186)	(45.535)	-	(86.567)
Net book value at 30 September 2013	3.444	5.762	88	16	35.543	65.282	4.821	114.956

(*) The investment amounting TRY 1.614 has been made for intangible assets as of 30 September 2013.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENTS (Continued)

The movement of tangible assets and related accumulated depreciation as of 30 September 2012 is as below:

Cost value	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction on progress	Total
Opening balance at 1 January 2012	3.583	6.198	657	683	68.595	66.734	2.032	148.482
Additions	-	-	-	4	6.541	8.682	12.805	28.032
Disposals	-	-	(341)	(610)	(12.879)	(4.988)	(30)	(18.848)
Impairment	-	-	-	-	(271)	(628)	-	(899)
Transfer from construction on progress (*)	(139)	19	-	-	2.501	6.784	(10.516)	(1.351)
Closing balance at 30 September 2012	3.444	6.217	316	77	64.487	76.584	4.291	155.416
<u>Accumulated depreciation</u>								
Opening balance at 1 January 2012	-	(551)	(407)	(668)	(40.691)	(27.484)	-	(69.801)
Current charge	-	(84)	(16)	(5)	(7.518)	(7.430)	-	(15.053)
Disposals	-	-	147	610	12.566	2.527	-	15.850
Reversal of impairments	-	-	6	-	1.064	3.197	-	4.267
Transfer from construction on progress (*)	-	381	-	-	94	(381)	-	94
Closing balance at 30 September 2012	-	(254)	(270)	(63)	(34.485)	(29.571)	-	(64.643)
Net book value at 30 September 2012	3.444	5.963	46	14	30.002	47.013	4.291	90.773

(*) The investment amounting TRY 1.351 has been made for intangible assets as of 30 September 2012.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

NOTE 10 – PAYABLES RELATED TO BENEFITS PROVIDED TO EMPLOYEES

The details of the due to employees as of 30 September 2013 and 31 December 2012 are presented below:

	30 September 2013	31 December 2012
Accrued salaries	77	-
Social security premiums payable	8.072	8.056
	<u>8.149</u>	<u>8.056</u>

NOTE 11 – DEFERRED INCOME

The details of the deferred revenue as of 30 September 2013 and 31 December 2012 are presented below:

	30 September 2013	31 December 2012
<i>Short term deferred revenue</i>		
Order advances received	19.925	23.482
Other	-	852
	<u>19.925</u>	<u>24.334</u>

NOTE 12 – OTHER CURRENT LIABILITIES

The details of the other current liabilities as of 30 September 2013 and 31 December 2012 are presented below:

	30 September 2013	31 December 2012
<i>Other current liabilities</i>		
VAT payable	17.148	157
Other accrual expenses (*)	16.349	2.512
Other liabilities	3.065	1.475
	<u>36.562</u>	<u>4.144</u>

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 13 – 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. 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:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Less than 1 year	81.307	99.734
etween 1-5 years	345.198	284.934
More than 5 years	92.899	101.938
	<u>519.404</u>	<u>486.606</u>

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 30 September 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 in the company's favor 117 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 3.102 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 5.156 of income accrual regarding such tax penalties in the consolidated financial statements at 30 September 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.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages (“CPM”) given by the Group as of 30 September 2013 and 31 December 2012 is as follows:

CPMs given by the Group	30 September 2013			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	50.325	6.591	12.348	2.980
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>50.325</u>	<u>6.591</u>	<u>12.348</u>	<u>2.980</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
Total	<u>50.325</u>	<u>6.591</u>	<u>12.348</u>	<u>2.980</u>

	31 December 2012			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	67.378	-	-	67.378
-Pledge	18.876	-	8.027	-
-Mortgage	10.857	6.090	-	-
	<u>97.111</u>	<u>6.090</u>	<u>8.027</u>	<u>67.378</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
Total	<u>97.111</u>	<u>6.090</u>	<u>8.027</u>	<u>67.378</u>

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

NOTE 14 – SALES AND COST OF SALES

The details sales and cost of sales as of 30 September 2013 and 2012 are stated below:

	1 January – 30 September 2013	1 July – 30 September 2013	1 January – 30 September 2012	1 July – 30 September 2012
<i>Sales income (net)</i>				
Consumer electronics retail sales	2.049.913	753.594	1.490.011	549.227
Sales of air conditioner, cash registers and white goods	91.029	32.601	89.434	37.543
	<u>2.140.942</u>	<u>786.195</u>	<u>1.579.445</u>	<u>586.770</u>
<i>Cost of sales</i>				
Cost of goods sold	(1.733.212)	(631.184)	(1.247.075)	(468.558)
Installation of warranty expenses of air conditioner, cash registers and white goods	(5.766)	(1.458)	(5.469)	(2.548)
	<u>(1.738.978)</u>	<u>(632.642)</u>	<u>(1.252.544)</u>	<u>(471.106)</u>

NOTE 15 – ADMINISTRATIVE EXPENSES

The details of marketing, sales and distribution as of 30 September 2013 and 2012 are stated below:

	1 January – 30 September 2013	1 July – 30 September 2013	1 January – 30 September 2012	1 July – 30 September 2012
Personnel expenses	(12.624)	(4.505)	(12.105)	(4.204)
Depreciation and amortization expenses	(2.920)	(1.010)	(2.407)	(850)
Rent expenses	(2.332)	(756)	(2.190)	(722)
Consulting expenses	(1.349)	(455)	(909)	(411)
Travel expenses	(481)	(162)	(368)	(126)
Energy, fuel and water expenses	(435)	(157)	(441)	(191)
Other expenses	(5.273)	(1.962)	(3.505)	(1.239)
	<u>(25.414)</u>	<u>(9.007)</u>	<u>(21.925)</u>	<u>(7.743)</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

NOTE 16 – MARKETING EXPENSES

The details of marketing, sales and distribution as of 30 September 2013 and 2012 are stated below:

	1 January – 30 September 2013	1 July – 30 September 2013	1 January – 30 September 2012	1 July – 30 September 2012
<i>Marketing expenses</i>				
Personnel expenses	(100.447)	(35.550)	(78.415)	(27.281)
Rent expenses	(96.545)	(35.233)	(82.280)	(28.134)
Advertising and promotion expenses	(31.096)	(12.112)	(24.149)	(7.478)
Depreciation expenses	(17.964)	(6.450)	(14.681)	(5.009)
Transportation expenses	(16.563)	(6.388)	(12.770)	(4.852)
Communication expenses	(11.400)	(4.026)	(9.025)	(2.663)
Energy, fuel and water expenses	(9.699)	(3.705)	(7.554)	(2.563)
Consulting expenses	(5.384)	(2.000)	(3.959)	(1.330)
Maintenance expenses	(1.094)	(374)	(997)	(330)
Travel expenses	(1.034)	(359)	(882)	(339)
Other expenses	(10.833)	(4.131)	(9.365)	(3.561)
	<u>(302.059)</u>	<u>(110.328)</u>	<u>(244.077)</u>	<u>(83.540)</u>

NOTE 17 – FINANCIAL INCOME

The details of financial income as of 30 September 2013 and 2012 are stated below:

	1 January – 30 September 2013	1 July – 30 September 2013	1 January – 30 September 2012	1 July – 30 September 2012
Interest income	5.842	1.543	4.981	1.803
Foreign exchange gains	2.019	2.019	86	-
	<u>7.861</u>	<u>3.562</u>	<u>5.067</u>	<u>1.803</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 18 - FINANCIAL EXPENSE

The details of financial expense as of 30 September 2013 and 2012 are stated below:

	1 January – 30 September 2013	1 July – 30 September 2013	1 January – 30 September 2012	1 July – 30 September 2012
Credit card commission expense	(11.271)	(4.406)	(10.449)	(2.958)
Foreign exchange losses	(238)	-	(538)	(219)
Other	(311)	(194)	(198)	(75)
	<u>(11.820)</u>	<u>(4.600)</u>	<u>(11.185)</u>	<u>(3.252)</u>

NOTE 19 - FINANCIAL RISK MANAGEMENT

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.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 19- FINANCIAL RISK MANAGEMENT (Continued)

Foreing Currency Position	Equivalents of TRY	30 September 2013			
		USD	Euro	GBP	Other
1. Trade receivable	4.082	1.611	292	-	109
2a. Monetary Financial Assets	230	90	17	-	-
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	27.723	2.636	8.136	-	-
4. CURRENT ASSETS	32.035	4.337	8.445	-	109
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-	-
7. Other	271	133	-	-	-
8. NON CURRENT ASSETS	271	133	-	-	-
9. TOTAL ASSETS	32.306	4.470	8.445	-	109
10. Trade payables	115	-	42	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	1.716	337	375	-	-
12b. Non Monetary Other Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	1.831	337	417	-	-
14. Trade payables	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-
16b. Non Monetary Other Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	1.831	337	417	-	-
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)	30.475	4.133	8.028	-	109
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	2.481	1.364	(108)	-	109
22. Total fair value of foreign currency hedge	-	-	-	-	-
23. The amount for the hedged portion foreign currency assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

NOTE 19- FINANCIAL RISK MANAGEMENT (Continued)

Foreing Currency Position	31 December 2012				
	Equivalents of TRY	USD	Euro	GBP	Other
1. Trade receivable	1.938	845	183	-	-
2a. Monetary Financial Assets	894	472	20	-	2
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	245	62	57	-	-
4. CURRENT ASSETS	3.077	1.380	260	-	2
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-	-
7. Other	251	141	-	-	-
8. NON CURRENT ASSETS	251	141	-	-	-
9. TOTAL ASSETS	3.328	1.521	260	-	2
10. Trade payables	3.163	1.774	-	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Non Monetary Other Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	3.163	1.774	-	-	-
14. Trade payables	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-
16b. Non Monetary Other Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	3.163	1.774	-	-	-
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)	165	(254)	260	-	2
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(331)	(457)	203	-	2
22. Total fair value of foreign currency hedge	-	-	-	-	-
23. The amount for the hedged portion foreign currency assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

NOTE 19 - 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 TRY strengthened / weakened by 10%. During this analysis all other variables held constant.

Foreign currency sensitivity table

30 September 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	277	(277)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1 +2)	277	(277)
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(30)	30
5 - Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(30)	30
In case 10% appreciation of other foreign currencies against TL		
1 - Other foreign currencies net assets/liabilities	1	(1)
8- Amount hedged for other foreign currencies risk (-)	-	-
9- Other foreign currencies net effect (7+8)	1	(1)
TOTAL (3 + 6 +9)	249	(249)

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	(81)	81
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1 +2)	(81)	81
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	48	(48)
5 - Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	48	(48)
In case 10% appreciation of other foreign currencies against TL		
1 - Other foreign currencies net assets/liabilities	1	(1)
8- Amount hedged for other foreign currencies risk (-)	-	-
9- Other foreign currencies net effect (7+8)	1	(1)
TOTAL (3 + 6 +9)	(33)	33

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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

NOTE 20 – SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group opened new stores in Nevşehir, İzmir, Samsun and Gaziantep. There are no closed stores. The retail sales area of the Group has increased by 3.510 meter squares through these new stores.

.....