

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY – 31 MARCH 2014

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITOR'S REVIEW REPORT
ON CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
ORIGINALLY ISSUED IN TURKISH

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

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Teknosa İç ve Dış Ticaret A.Ş. (the "Company") and its subsidiary (together "the Group") as of 31 March 2014 and the related condensed consolidated statements of profit or loss, condensed consolidated other comprehensive income, statement of changes in equity and statement of cash flows for the three-month period then ended. Group management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed consolidated interim 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 consolidated 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 the 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Turkish Accounting Standards issued by the POA.

İstanbul, 5 May 2014

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

Ömer Tanrıöver, SMMM
Partner

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TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**CONDENSED CONSOLIDATED BALANCE SHEET AT 31 MARCH 2014**

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

		Current period (Reviewed) 31 March 2014	Prior period (Audited) 31 December 2013
	Notes		
ASSETS			
Current Assets			
Cash and cash equivalents	5	112.810	320.182
Trade receivables		28.087	39.364
<i>Due from related parties</i>	4	922	393
<i>Due from third parties</i>	6	27.165	38.971
Other receivables		66	-
<i>Due from related parties</i>		66	-
Inventories	7	519.911	511.439
Prepaid expenses	8	16.100	23.806
Other current assets	13	8.213	5.630
Non current assets		158.657	155.508
Other receivable		659	640
Investment property		10.888	10.935
Property, plant and equipment	9	114.532	113.591
Intangible assets		15.706	15.345
Prepaid expenses	8	710	905
Deferred tax assets		9.474	7.209
Other non current assets	13	6.688	6.883
TOTAL ASSETS		843.844	1.055.929

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 31 MARCH 2014**

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

		Current period (Reviewed) 31 March 2014	Prior period (Audited) 31 December 2013
	Notes		
LIABILITIES			
Current liabilities		635.515	799.758
Trade payables		543.068	739.545
<i>Due to related parties</i>	4	1.667	1.905
<i>Due to third parties</i>	6	541.401	737.640
Liabilities related to employee benefits	10	14.683	8.997
Other payables		42.362	722
<i>Due to related parties</i>	4	26.655	-
<i>Due to third parties</i>		15.707	722
Deferred income	8	22.769	24.386
Current period tax liability		1.420	4.665
Short term provisions		6.493	8.691
<i>Provisions related to employee benefits</i>	10	5.162	7.035
<i>Other short term provisions</i>	11	1.331	1.656
Other current liabilities	13	4.720	12.752
Non current liabilities		3.508	3.427
Provisions for employment termination benefits	10	3.508	3.427
EQUITY		204.821	252.744
Share capital		110.000	110.000
Adjustment to share capital		6.628	6.628
Restricted reserves		758	758
Other reserves		3	3
Items that will not be reclassified subsequently to profit or loss		(223)	(300)
Retained earnings		91.437	78.940
Net profit for the period		(3.782)	56.715
TOTAL LIABILITIES		843.844	1.055.929

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 – 31
MARCH 2014**

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

	Notes	Current period 1 January – 31 March 2014	Prior period (Reviewed) 1 January – 31 March 2013
Revenue	14	681.572	661.073
Cost of sales (-)	14	(551.295)	(544.467)
GROSS PROFIT		130.277	116.606
Marketing expenses (-)	15	(115.290)	(91.480)
General administrative expenses (-)	15	(11.032)	(7.248)
Other operating incomes	16	4.813	2.075
Other operating expenses (-)	16	(12.148)	(7.114)
OPERATING PROFIT		(3.380)	12.839
Investment income	17	3.306	2.490
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		(74)	15.329
Financial expense (-)	18	(4.573)	(3.473)
PROFIT BEFORE TAX		(4.647)	11.856
Tax expense		865	(2.798)
- Current tax expense		(1.420)	(2.241)
- Deferred tax (expense) / income		2.285	(557)
NET PROFIT FOR THE PERIOD		(3.782)	9.058
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss		77	(76)
- Actuarial losses on post employment benefit obligations		77	(76)
Items that may be reclassified subsequently to profit or loss		-	-
		(3.705)	8.982
Earnings per share (1000 shares)		(0,034)	0,082

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 – 31 MARCH 2014**

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

	Share capital	Adjustment to share capitals	Restricted reserves	Other reserves	Items that will not be reclassified subsequently to profit or (loss)	Accumulated profit	Net profit / (loss)	Total
<u>Prior period</u>								
Balance at 1 January 2013	110.000	6.628	758	3	(92)	28.405	50.535	196.237
Transfer to retained earnings	-	-	-	-	-	50.535	(50.535)	-
Total comprehensive income	-	-	-	-	(76)	-	9.058	8.982
Balance at 31 March 2013	110.000	6.628	758	3	(168)	78.940	9.058	205.219
<u>Current Period</u>								
Balance at 1 January 2014	110.000	6.628	758	3	(300)	78.940	56.715	252.744
Transfer to retained earnings	-	-	-	-	-	56.715	(56.715)	-
Dividends	-	-	-	-	-	(44.218)	-	(44.218)
Total comprehensive income	-	-	-	-	77	-	(3.782)	(3.705)
Balance at 31 March 2014	110.000	6.628	758	3	(223)	91.437	(3.782)	204.821

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 – 31 MARCH 2014**

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

	Notes	Current period (Reviewed) 1 January – 31 March 2014	Prior period (Reviewed) 1 January – 31 March 2013
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		(4.647)	11.856
Adjustments:			
Interest expense, credit cards' commissions and other financing expenses	18	4.573	3.473
Depreciation and amortization expenses		8.395	6.424
Retirement pay provision		1.357	520
Unused vacation provision	10	386	445
Loss arising tangible assets' disposal of closed down stores	9	338	771
Release of impairment of tangible assets related to the stores to be closed, net	9	(194)	(194)
Provision for impairment on inventories	7	1.156	(134)
Interest income	17	(3.306)	(2.490)
		8.058	20.671
Operating cash flows before changes in working capital			
Decrease / (increase) in trade receivables and other receivables		11.806	(10.040)
(Increase) / decrease in trade receivables from related parties		(529)	5.970
(Increase) / Decrease in inventories		(9.628)	50.176
Decrease / (increase) in other current assets and prepaid expenses		5.389	(23.129)
Decrease / (increase) in other non current assets		176	(1.600)
(Decrease) in trade payables		(196.239)	(242.939)
(Decrease) in trade payables to related parties		(238)	(910)
(Decrease) / increase in other current liabilities		(9.124)	23.003
Increase / (decrease) in other non current liabilities		346	(32)
Retirement pay provision paid		(1.525)	(547)
Current tax paid		(4.665)	-
Cash used in operations		(196.173)	(179.377)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of tangible assets	9	(8.189)	(10.467)
Purchase of intangible assets		(1.605)	(646)
Interest received		3.168	2.490
Cash used in investment activities		(6.626)	(8.623)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest, credit card commissions and other finance costs paid		(4.573)	(3.473)
Cash used in financing activities		(4.573)	(3.473)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(207.372)	(191.473)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		320.182	355.210
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		112.810	163.737

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 31 MARCH 2014

(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 3.964 as of 31 March 2014 (31 December 2013: 4.151). The Company has been registered in Turkey and operates under the laws and regulations of Turkish Commercial Codes.

The Company operates in Turkey in 298 stores with 170.669 square meters retail space as of 31 March 2014 (31 December 2013: 165.867 square meters, 294 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 31 March 2014 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 2013.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

(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 June 2013. The details of the reclassifications are as follows:

- In 2013 the Group presented maturity difference income and expenses amounting to TRY 623 and TRY 5.710 under finance income and expenses. In the current year, the Group management reclassified these amounts to “Income/ expense from other operating income and expenses”.
- In 2013 the Group presented income arising from credit card usage incentives amounting to TRY 1.787 under other income. In the current year, the Group management reclassified these amounts to “Sales revenues”.
- In 2013 the Group presented income arising from insurance compensations and suppliers amounting to TRY 3.472 under other income. In the current year, the Group management offset these amounts to “Cost of sales”.
- In 2013 the Group presented foreign exchange gains and losses amounting to TRY 441 and TRY 600 under finance income and expenses. In the current year, the Group management reclassified these amounts to “Other income and expenses”.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

(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

None.

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

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>

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

Amendments to IFRS 10, 11, IAS 27 *Investment Entities*

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

As a consequence of IFRS 13 Fair Value Measurements, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 has been changed.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

(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 39 Novation of Derivatives and Continuation of Hedge Accounting

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRIC 21 Levies

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

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 Instruments</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i>
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Annual Improvements to 2010-2012 Cycle	<i>IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24</i> ¹
Annual Improvements to 2011-2013 Cycle	<i>IFRS 1, IFRS 3, IFRS 13, IAS 40</i> ¹
IFRS 14	<i>Regulatory Deferral Accounts</i> ²

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

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

IFRS 9 Financial Instruments

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

Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures

On November 2013, it is tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

(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)

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

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

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

Annual Improvements to 2010-2012 Cycle

IFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

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

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

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

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

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

Annual Improvements to 2011-2013 Cycle

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

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

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

IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

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

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

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

IFRS 14 Regulatory Deferral Accounts

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

IFRS 14 was issued by the IASB on 30 January 2014 and is applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

The Group evaluates the effects of these standards on the consolidated financial statements.

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 194 of impairment reversal as of 31 March 2014 (31 December 2013: TRY 222)

NOTE 3 – SEGMENT REPORTING

The Group began applying IFRS 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.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

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

NOTE 3 – SEGMENT REPORTING (Continued)

The details of the segment reporting are as follows:

	1 January - 31 March 2014		
	Retailer	Dealer	Total
Total section income	663.141	18.431	681.572
Income from third party customers	663.141	18.431	681.572
Profit before interest, severance pay, depreciation and amortization	13.239	468	13.707
Depreciation and amortization	8.298	97	8.395
Taxation on income	775	90	865
	1 January - 31 March 2013		
	Retailer	Dealer	Total
Total section income	645.065	16.008	661.073
Income from third party customers	645.065	16.008	661.073
Profit before interest, severance pay, depreciation and amortization	24.349	490	24.839
Depreciation and amortization	6.366	75	6.441
Taxation on income	(2.672)	(126)	(2.798)
		1 January- 31 March 2014	1 January- 31 March 2013
EBITDA for reportable segment information	13.707	24.839	
Depreciation	(8.395)	(6.441)	
Financial expenses	(4.573)	(3.473)	
Investment income	3.306	2.490	
Other expenses - net	(7.335)	(5.039)	
Provision for employee termination benefits	(1.357)	(520)	
Profit before tax	(4.647)	11.856	

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

(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.

Balances with related parties	31 March 2014			
	Receivables		Payables	
	Current		Current	
	Trading	Non trade	Trading	Non trade
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	547	61	-	-
Akbank T.A.Ş.	360	-	-	-
Akçansa Çimento San. ve Tic. A.Ş.	13	-	-	-
Hacı Ömer Sabancı Holding A.Ş.	2	2	-	(26.655)
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	-	-	(1.298)	-
Aksigorta A.Ş.	-	3	(197)	-
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	-	(88)	-
Avivasa Emeklilik ve Hayat A.Ş.	-	-	(84)	-
	<u>922</u>	<u>66</u>	<u>(1.667)</u>	<u>(26.655)</u>

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

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NOTE 4 – RELATED PARTY TRANSACTIONS (Continued)

<u>Deposit accounts in Akbank T.A.Ş.</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
Demand deposit	2.392	20
Time deposit	79.440	318.140
	<u>81.832</u>	<u>318.160</u>

1 January - 31 March 2014

<u>Transactions with related parties</u>	<u>Sales</u>	<u>Rent expense</u>	<u>Other income/ (expense)</u>
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	468	(1.116)	-
Akbank T.A.Ş.	362	-	6
Avivasa Emeklilik ve Hayat A.Ş.	101	-	16
Akçansa Çimento San. ve Tic. A.Ş.	13	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş.	14	-	-
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	4	-	-
H.Ö. Sabancı Holding A.Ş.	-	(4)	-
Aksigorta A.Ş.	-	-	(877)
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	-	-	(1.368)
Enerjisa Enerji A.Ş. ve iştirakleri	-	-	(1.139)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	-	(255)
Temsa Global Sanayi ve Ticaret A.Ş.	-	-	-
	<u>962</u>	<u>(1.120)</u>	<u>(3.617)</u>

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NOTE 4 – RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties	1 January - 31 March 2013		
	Sales	Rent expense	Other income/ (expense)
Akbank T.A.Ş.	677	-	937
Aksigorta A.Ş.	182	(7)	(444)
Avivasa Emeklilik ve Hayat A.Ş.	122	-	-
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	91	-	-
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	-	(346)
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	-	(1.001)	-
Enerjisa Enerji A.Ş. ve iştirakleri	-	-	(1.466)
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	-	-	(998)
Olmuxsa International Paper Sabancı Ambalaj Sanayi ve Ticaret A.Ş.	-	-	(72)
H.Ö. Sabancı Holding	-	-	(27)
Diğer	18	-	-
	<u>1.090</u>	<u>(1.008)</u>	<u>(2.416)</u>

Remunerations of key management personnel as of 31 March and 31 December 2013:

	31 March 2014	31 December 2013
Salaries and other benefits	<u>695</u>	<u>1.740</u>
	<u>695</u>	<u>1.740</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014	31 December 2013
Cash	796	958
Demand deposit	2.936	1.084
Time deposit	109.078	318.140
	<u>112.810</u>	<u>320.182</u>

As of 31 March 2014, the Group's time deposits are denominated only as Turkish Liras with the average interest rate of 12,09% (31 December 2013: 9,59%).

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014	31 December 2013
<i>Current trade receivables</i>		
Trade receivables	18.736	26.496
Due from related parties (Note 4)	922	393
Notes receivables	8.979	13.399
Allowance for doubtful receivables (-)	(550)	(924)
	<u>28.087</u>	<u>39.364</u>

As of 31 March 2014, TRY 5.970 amount of trade receivables consist of receivables from credit card slips (31 December 2013: TRY 14.285).

As of 31 March 2014 and 31 December 2013, the Group has hold the below given guarantees for its checks and notes (except receivables from credit card slips).

	31 March 2014	31 December 2013
Letters of guarantees received	5.353	6.862
Cash deposits and guarantees	737	722
Mortgages	3.531	4.504
	<u>9.621</u>	<u>12.088</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

	31 March 2014	31 December 2013
<i>Current trade payables</i>		
Trade payables	529.705	735.660
Trade payables to related parties (Note 4)	1.667	1.905
Expense accruals	11.696	1.980
	<u>543.068</u>	<u>739.545</u>

As of 31 March 2014, income accruals related to suppliers in the amount of TRY 25.764 were net off its trade payables (31 December 2013: TRY 13.096).

NOTE 7 – INVENTORIES

The details of the inventories as of 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2013
Trade goods	520.637	511.362
Goods in transit	3.865	3.512
Less: Provision of impairment on inventories	(4.591)	(3.435)
	<u>519.911</u>	<u>511.439</u>

NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of other current assets as of 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2013
<i>Current period prepaid expenses</i>		
Order advances given for inventory purchase	19	10.780
Short term prepaid expenses	16.081	13.026
	<u>16.100</u>	<u>23.806</u>
<i>Non-current period prepaid expenses</i>		
Long term prepaid expenses	710	905
	<u>710</u>	<u>905</u>

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NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

The details of the deferred revenue as of 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2013
<i>Short term deferred revenue</i>		
Order advances received	22.549	24.245
Other	220	141
	<u>22.769</u>	<u>24.386</u>

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NOTE 9 – PROPERTY, PLANT AND EQUIPMENTS

The movement of tangible assets and related accumulated depreciation as of 31 March 2014 is as below:

	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction on progress	Total
<u>Cost value</u>								
Opening balance at 1 January 2014	3.444	6.310	449	86	76.732	109.516	3.349	199.886
Additions	-	-	-	-	1.439	2.424	4.326	8.189
Disposals	-	-	-	-	(1.102)	(343)	-	(1.445)
Transfer from construction on progress (*)	-	-	-	-	775	2.508	(3.671)	(388)
Closing balance at 31 March 2014	3.444	6.310	449	86	77.844	114.105	4.004	206.242
<u>Accumulated depreciation</u>								
Opening balance at 1 January 2014	-	(584)	(271)	(72)	(41.176)	(44.192)	-	(86.295)
Current charge	-	(76)	(14)	(2)	(2.755)	(3.869)	-	(6.716)
Disposals	-	-	-	-	897	210	-	1.107
Reversal of impairments	-	-	-	-	112	82	-	194
Closing balance at 31 March 2014	-	(660)	(285)	(74)	(42.922)	(47.769)	-	(91.710)
Net book value at 31 March 2014	3.444	5.650	164	12	34.922	66.336	4.004	114.532

(*) The investment amounting TRY 388 has been made for intangible assets as of 31 March 2014.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENTS (Continued)

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

	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction on progress	Total
<u>Cost value</u>								
Opening balance at 1 January 2013	3.444	6.217	327	77	66.388	87.739	3.135	167.327
Additions	-	15	31	9	1.902	3.207	5.303	10.467
Disposals	-	-	(37)	-	(1.724)	(206)	(40)	(2.007)
Impairment	-	-	-	-	-	-	-	-
Transfer from construction on progress (*)	-	-	-	-	382	2.305	(2.817)	(130)
Closing balance at 31 March 2013	<u>3.444</u>	<u>6.232</u>	<u>321</u>	<u>86</u>	<u>66.948</u>	<u>93.045</u>	<u>5.581</u>	<u>175.657</u>
<u>Accumulated depreciation</u>								
Opening balance at 1 January 2013	-	(282)	(286)	(64)	(36.069)	(36.554)	-	(73.255)
Current charge	-	(28)	(6)	(2)	(3.045)	(2.995)	-	(6.076)
Disposals	-	-	37	-	1.081	118	-	1.236
Reversal of impairments	-	-	1	-	144	49	-	194
Transfer from construction on progress (*)	-	-	-	-	-	-	-	-
Closing balance at 31 March 2013	<u>-</u>	<u>(310)</u>	<u>(254)</u>	<u>(66)</u>	<u>(37.889)</u>	<u>(39.382)</u>	<u>-</u>	<u>(77.901)</u>
Net book value at 31 March 2013	<u>3.444</u>	<u>5.922</u>	<u>67</u>	<u>20</u>	<u>29.059</u>	<u>53.663</u>	<u>5.581</u>	<u>97.756</u>

(*) The investment amounting TRY 130 has been made for intangible assets as of 31 March 2013.

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NOTE 10 – PAYABLES RELATED TO BENEFITS PROVIDED TO EMPLOYEES

The details of the due to employees as of 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2013
Accrued salaries	7.165	32
Social security premiums payable	7.518	8.965
	<u>14.683</u>	<u>8.997</u>

The details of the provisions related to employee benefits as of 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2013
<i>Short-term provisions</i>		
Salesman premium provision	1.899	3.378
Unused vacation provision	2.269	1.920
Administrative premium provision	994	1.737
	<u>5.162</u>	<u>7.035</u>
<i>Long-term provisions</i>		
Retirement pay provision	2.143	2.408
Administrative premium provision	1.365	1.019
	<u>3.508</u>	<u>3.427</u>

NOTE 11 – PROVISIONS

The details of the other current provisions as of 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2013
Litigation provisions	842	774
Other	489	882
	<u>1.331</u>	<u>1.656</u>

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NOTE 12 – COMMITMENTS

Operating lease agreements

The Group leases various retail spaces as sales area, offices and warehouses by entering into operating lease agreements. These periods of the rent agreements vary between 1- 10 years. The lease agreements require the payment of a certain monthly rent or a portion of the revenue of the leasehold store. The lease agreements are basically drawn up in TRY, Euro and USD and the rentals are increased by using the 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>31 March 2014</u>	<u>31 December 2013</u>
Less than 1 year	51.299	57.403
Between 1-5 years	498.071	440.435
More than 5 years	155.118	134.656
	<u>704.488</u>	<u>632.494</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 31 December 2013. As a result of these investigations, the Custom Consultancy Inspectors identifications caused 135 lawsuits amounting TRY 9.045 as a result of tax operations penalties. 117 of these 135 lawsuits amounting TRY 8.974 is still present.

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

The Group Management has accounted TRY 5.157 of income accrual regarding such tax penalties in the consolidated financial statements at 31 March 2014 based on the opinions of the legal counsels and customs experts and based on the fact that there are previous lawsuits finalized in favor of the company (Note 13).

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NOTE 12 – COMMITMENTS (Continued)

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages (“CPM”) given by the Group as of 31 March 2014 and 31 December 2013 is as follows:

CPMs given by the Group

	31 March 2014			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	23.280	2.574	4.813	3.170
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>23.280</u>	<u>2.574</u>	<u>4.813</u>	<u>3.170</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>23.280</u>	<u>2.574</u>	<u>4.813</u>	<u>3.170</u>

	31 December 2013			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	54.428	6.810	12.506	3.170
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>54.428</u>	<u>6.810</u>	<u>12.506</u>	<u>3.170</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>54.428</u>	<u>6.810</u>	<u>12.506</u>	<u>3.170</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 31 March 2014 is 0% (31 December 2013 0%).

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
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NOTE 13 – OTHER ASSETS AND LIABILITIES

The details of the other current and non-current assets as of 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2013
<i><u>Other current assets</u></i>		
Advances given	1.746	1.556
Transferred VAT	6.126	3.626
Other current assets	341	448
	<u>8.213</u>	<u>5.630</u>
	31 March 2014	31 December 2013
<i><u>Other non-current assets</u></i>		
Income accrual (Note 12)	5.157	5.157
Evacuation fee	1.531	1.726
	<u>6.688</u>	<u>6.883</u>

The details of the other current liabilities as of 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2012
<i><u>Other current liabilities</u></i>		
Stoppage on dividends	2.592	-
VAT payable	269	10.575
Other accrual expenses (*)	635	1.445
Other liabilities	1.224	732
	<u>4.720</u>	<u>12.752</u>

(*) Other accrual expenses consist mainly of liabilities to banks related to collection of credit card sales before due dates.

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NOTE 14 – SALES AND COST OF SALES

The details sales and cost of sales as of 31 March 2014 and 2013 are stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
<i>Sales income (net)</i>		
Consumer electronics retail sales	663.141	645.063
Sales of air conditioner, cash registers and white goods	18.431	16.010
	<u>681.572</u>	<u>661.073</u>
<i>Cost of sales</i>		
Cost of goods sold	(550.272)	(543.946)
Installation of warranty expenses of air conditioner, cash registers and white goods	(1.023)	(521)
	<u>(551.295)</u>	<u>(544.467)</u>

NOTE 15 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses as of 31 March 2014 and 2013 are stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
<i>Marketing expenses</i>		
Personnel expenses	(36.827)	(31.499)
Rent expenses	(40.356)	(29.573)
Advertising and promotion expenses	(11.909)	(8.042)
Depreciation expenses	(6.640)	(5.500)
Transportation expenses	(6.252)	(4.499)
Energy, fuel and water expenses	(3.859)	(3.319)
Consulting expenses	(3.160)	(2.825)
Maintenance expenses	(1.699)	(1.595)
Travel expenses	(337)	(373)
Communication expenses	(380)	(342)
Other expenses	(3.871)	(3.913)
	<u>(115.290)</u>	<u>(91.480)</u>

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NOTE 15 – MARKETING AND ADMINISTRATIVE EXPENSES (Continued)

The details of administrative expenses as of 31 March 2014 and 2013 are stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
<i>Administrative expenses</i>		
Personnel expenses	(4.879)	(3.337)
IT expenses	(1.470)	(992)
Depreciation and amortization expenses	(1.755)	(924)
Rent expenses	(1.162)	(779)
Consulting expenses	(697)	(400)
Travel expenses	(168)	(137)
Energy, fuel and water expenses	(138)	(140)
Maintenance expenses	(35)	(27)
Other expenses	(728)	(512)
	<u>(11.032)</u>	<u>(7.248)</u>

NOTE 16 – OTHER INCOME AND EXPENSE

The details of other income as of 31 March 2014 and 2013 are stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
Foreign exchange gains	2.228	441
Discount income	1.236	623
Gains from rental of stands in stores	418	100
Deductions from personnel	173	154
Gains from unused gift cheques	129	80
Other income	629	677
	<u>4.813</u>	<u>2.075</u>

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NOTE 16 – OTHER INCOME AND EXPENSE (Continued)

The details of other expense as of 31 March 2014 and 2013 are stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
Discount expenses	(9.490)	(5.710)
Foreign exchange losses	(1.655)	(600)
Loss from sale of tangible asset	(136)	(198)
Litigation expenses	(40)	(184)
Donation and aid	(7)	(10)
Taxes, duties, charges and funds	(4)	(34)
Other expenses	(816)	(378)
	<u>(12.148)</u>	<u>(7.114)</u>

NOTE 17 – INVESTMENT INCOME

The details of financial income as of 31 March 2014 and 2013 are stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
Interest income	3.306	2.490
	<u>3.306</u>	<u>2.490</u>

NOTE 18 – FINANCIAL EXPENSE

The details of financial expense as of 31 March 2014 and 2013 are stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
Credit card commission expenses	(3.538)	(2.821)
Credit card promotion expenses	(975)	(536)
Guarantee letters commission expenses	(26)	(83)
Interest and commission expenses	(5)	(10)
Other finance expenses	(29)	(23)
	<u>(4.573)</u>	<u>(3.473)</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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

NOTE 19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

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

NOTE 19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreing Currency Position

	Equivalents of TRY	31 March 2014			
		USD	Euro	GBP	Other
1. Trade receivable	3.398	1.416	98	-	109
2a. Monetary Financial Assets	36	11	4	-	-
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	23	9	1	-	-
4. CURRENT ASSETS	3.457	1.436	103	-	109
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-	-
7. Other	291	133	-	-	-
8. NON CURRENT ASSETS	291	133	-	-	-
9. TOTAL ASSETS	3.748	1.569	103	-	109
10. Trade payables	215	45	29	8	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Non Monetary Other Liabilities	1.863	336	375	-	-
13. CURRENT LIABILITIES	2.078	381	404	8	-
14. Trade payables	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-
16b. Non Monetary Other Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	2.078	381	404	8	-
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)	1.670	1.188	(301)	(8)	109
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	3.219	1.382	73	(8)	109
22. Total fair value of foreign currency hedge	-	-	-	-	-
23. The amount for the hedged portion foreign currency assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

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

NOTE 19- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreing Currency Position

	31 December 2013				
	Equivalents of TRY	USD	Euro	GBP	Other
1. Trade receivable	2.112	965	17	-	109
2a. Monetary Financial Assets	9	3	1	-	-
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	10.785	3.229	1.326	-	-
4. CURRENT ASSETS	12.906	4.197	1.344	-	109
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-	-
7. Other	284	133	-	-	-
8. NON CURRENT ASSETS	284	133	-	-	-
9. TOTAL ASSETS	13.190	4.330	1.344	-	109
10. Trade payables	1.076	167	245	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	1.823	338	375	-	-
12b. Non Monetary Other Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	2.899	505	620	-	-
14. Trade payables	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-
16b. Non Monetary Other Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	2.899	505	620	-	-
19. Net assets / liability position of off-balance derivative instruments (19a-19b)	-	-	-	-	-
19.a Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	-	-	-	-	-
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	-	-	-	-	-
20. Net foreign currency assets (liabilities) position (9-18)	10.291	3.825	724	-	109
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(778)	463	(602)	-	109
22. Total fair value of foreign currency hedge	-	-	-	-	-
23. The amount for the hedged portion foreign currency assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise indicated.)

NOTE 19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

Foreign currency sensitivity table

31 March 2014

	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	303	(303)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1 +2)	303	(303)
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	22	(22)
5 - Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	22	(22)
In case 10% appreciation of other foreign currencies against TL		
1 - Other foreign currencies net assets/liabilities	0	(1)
8- Amount hedged for other foreign currencies risk (-)	-	-
9- Other foreign currencies net effect (7+8)	0	(1)
TOTAL (3 + 6 +9)	325	(326)

Foreign currency sensitivity table

31 December 2013

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

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014**

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

NOTE 20 – EVENTS AFTER BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group has opened two new stores in Istanbul and Adana between the balance sheet date and April 17, 2014. The related changes increased the retail sales area of the Group by 480 meter squares.