

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY-30 JUNE 2014 WITH THE
INDEPENDENT AUDITOR'S REVIEW
REPORT**

**(Convenience translation of independent auditors'
review report and the consolidated financial
statements originally issued in Turkish)**

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION Mersis No: 0291001097600016

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

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Teknosa İç ve Dış Ticaret A.Ş. and its subsidiary (together will be referred as the "Group") as of 30 June 2014 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 Independent Auditing Standards 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 consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".

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



Ömer Tanrıöver, SMMM
Partner

İstanbul, 4 August 2014

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TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**REVIEWED CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2014**

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

		Current period (Reviewed) 30 June 2014	Prior period (Audited) 31 December 2013
	Notes		
ASSETS			
Current Assets		806,560	900,421
Cash and cash equivalents	5	124,176	320,182
Trade receivables		33,698	39,364
<i>Trade receivables from related parties</i>	4	1,521	393
<i>Trade receivables from third parties</i>	6	32,177	38,971
Inventories	7	626,486	511,439
Prepaid expenses	8	13,624	23,806
Other current assets	13	8,576	5,630
Non current assets		167,147	155,508
Other receivables		665	640
Investment property		10,840	10,935
Property, plant and equipment	9	118,299	113,591
Intangible assets		17,883	15,345
Prepaid expenses	8	509	905
Deferred tax assets		12,458	7,209
Other non current assets	13	6,493	6,883
TOTAL ASSETS		973,707	1,055,929

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

REVIEWED CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2014

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

		Current period (Reviewed) 30 June 2014	Prior period (Audited) 31 December 2013
	Notes		
LIABILITIES			
Current liabilities		776,680	799,758
Trade payables		728,071	739,545
<i>Trade payables to related parties</i>	4	942	1,905
<i>Trade payables to third parties</i>	6	727,129	737,640
Liabilities related to employee benefits	10	14,151	8,997
Other payables		709	722
<i>Other payables to third parties</i>		709	722
Deferred income	8	21,149	24,386
Current period tax liability		252	4,665
Short term provisions		6,069	8,691
<i>Provisions related to employee benefits</i>	10	4,810	7,035
<i>Other short term provisions</i>	11	1,259	1,656
Derivative financial instruments	19	825	-
Other current liabilities	13	5,454	12,752
Non current liabilities		3,684	3,427
Provisions for employment termination benefits	10	3,684	3,427
EQUITY			
Share capital		110,000	110,000
Adjustment to share capital		6,628	6,628
Restricted reserves		7,161	758
Other reserves		3	3
Items that will be reclassified subsequently to profit or loss		(660)	-
<i>Cash flow hedge reserve</i>		(660)	-
Items that will not be reclassified subsequently to profit or loss		(218)	(300)
<i>Gains/ (losses) on remeasurement of defined benefit plans</i>		(218)	(300)
Retained earnings		85,034	78,940
Net profit for the period		(14,605)	56,715
TOTAL LIABILITIES		973,707	1,055,929

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD ENDED
1 JANUARY – 30 JUNE 2014

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

	Notes	Current period (Reviewed) 1 January – 30 June 2014	Current period (Not reviewed) 1 April – 30 June 2014	Prior period (Reviewed) 1 January – 30 June 2013	Prior period (Not reviewed) 1 April – 30 June 2013
Revenue	14	1,389,013	707,441	1,354,747	693,674
Cost of sales (-)	14	(1,131,966)	(580,671)	(1,106,335)	(561,868)
GROSS PROFIT		257,047	126,770	248,412	131,806
Marketing expenses (-)	15	(228,106)	(112,816)	(191,731)	(100,251)
General administrative expenses (-)	15	(22,135)	(11,103)	(16,061)	(8,813)
Other operating income	16	7,123	2,310	6,359	4,284
Other operating expenses (-)	16	(26,380)	(14,232)	(15,403)	(8,289)
OPERATING PROFIT / (LOSS)		(12,451)	(9,071)	31,576	18,737
Income from investing activities	17	4,912	1,606	4,300	1,810
OPERATING (LOSS) / PROFIT BEFORE FINANCIAL EXPENSE		(7,539)	(7,465)	35,876	20,547
Finance expenses (-)	18	(10,553)	(5,980)	(7,069)	(3,596)
(LOSS) / PROFIT BEFORE TAX		(18,092)	(13,445)	28,807	16,951
Tax income / (expense)		3,487	2,622	(4,866)	(2,068)
- Current tax expense		(1,618)	(198)	(6,515)	(4,274)
- Deferred tax income / (expense)		5,105	2,820	1,649	2,206
NET (LOSS) / PROFIT FOR THE PERIOD		(14,605)	(10,823)	23,941	14,883
OTHER COMPREHENSIVE INCOME / (LOSS)					
Items that will not be reclassified subsequently to profit or loss		82	5	(277)	(201)
Gain / (loss) on remeasurement of defined benefit plans		103	7	(346)	(251)
Deferred tax expense		(21)	(2)	69	50
Items that will be reclassified subsequently to profit or loss		(660)	(660)	-	-
Loss on cash flow hedges		(825)	(825)	-	-
Deferred tax income		165	165	-	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME		(15,183)	(11,478)	23,664	14,682
(Loss) / earnings per share (1000 shares)		(0.013)	(0.010)	0.022	0.014

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 JUNE 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	Items that will be reclassified subsequently to profit or loss	Accumulated profit / (loss)	Net profit / (loss)	Total equity
Prior period									
Balance at 1 January 2013	110,000	6,628	758	3	(92)	-	28,405	50,535	196,237
Transfer to retained earnings	-	-	-	-	-	-	50,535	(50,535)	-
Total comprehensive income	-	-	-	-	(277)	-	-	23,941	23,664
Balance at 30 June 2013	110,000	6,628	758	3	(369)	-	78,940	23,941	219,901
Current Period									
Balance at 1 January 2014	110,000	6,628	758	3	(300)	-	78,940	56,715	252,744
Transfer to retained earnings	-	-	6,403	-	-	-	50,312	(56,715)	-
Dividends (*)	-	-	-	-	-	-	(44,218)	-	(44,218)
Total comprehensive loss	-	-	-	-	82	(660)	-	(14,605)	(15,183)
Balance at 30 June 2014	110,000	6,628	7,161	3	(218)	(660)	85,034	(14,605)	193,343

(*) Dividends paid by the Group per share with a TRY 1 nominal value is TRY 0.40.

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 JUNE 2014**

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

	Notes	Current period (Reviewed) 1 January – 30 June 2014	Prior period (Reviewed) 1 January – 30 June 2013
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before tax		(14,605)	23,941
Adjustments:			
Interest expense, credit cards' commissions and other financing expenses	18	10,553	7,069
Depreciation and amortization expenses	15	17,262	13,425
Retirement pay provision	10	1,970	1,914
Unused vacation provision	10	437	502
Loss arising tangible assets' disposal of closed down stores	9	989	1,048
Release of impairment of tangible assets related to the stores to be closed, net	9	811	(94)
Provision for impairment on inventories		1,449	236
Interest income	17	(4,912)	(4,300)
Tax expense		(3,487)	4,866
		<u>10,467</u>	<u>48,607</u>
Operating cash flows before changes in working capital			
Decrease / (increase) in trade receivables and other receivables		6,794	(24,774)
(Increase) / decrease in trade receivables from related parties		(1,128)	6,326
(Increase) / Decrease in inventories		(116,496)	5,001
Decrease / (increase) in other current assets and prepaid		7,632	(11,874)
Decrease / (increase) in other non current assets		365	(4,865)
(Decrease) in trade payables		(10,511)	(184,452)
(Decrease) in trade payables to related parties		(963)	(1,382)
(Decrease) / increase in other current liabilities		(8,454)	20,509
Increase / (decrease) in other non current liabilities		455	(34)
Retirement pay provision paid		(2,064)	(561)
Current tax paid		(6,031)	(7,197)
Cash used in operations		<u>(119,934)</u>	<u>(154,696)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets	9	(21,468)	(28,196)
Purchase of intangible assets		(4,745)	(1,592)
Interest received	17	4,912	4,300
Cash used in investment activities		<u>(21,301)</u>	<u>(25,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest, credit card commissions and other finance costs paid	18	(10,553)	(7,069)
Dividend payments		(44,218)	-
Cash used in financing activities		<u>(54,771)</u>	<u>(7,069)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		<u>(196,006)</u>	<u>(187,253)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>320,182</u>	<u>355,210</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>124,176</u>	<u>167,957</u>

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

NOTE 1 – ORGANIZATIONS AND OPERATIONS OF THE COMPANY

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 3,758 as of 30 June 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 306 stores with 179,767 square meters retail space as of 30 June 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 21. 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

Statement of Compliance

The Group maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation.

The attached consolidated financial statements are prepared in accordance with the decree Series II No: 14.1 “Principals Relating to the Financial Reporting Standards in Capital Markets” (“Decree”) issued by Capital Markets Board (“CMB”) on 13 June 2013 and published in the Official Gazette numbered 28676 and are based on the Turkish Accounting Standards (“TAS”) and relating interpretations which became effective with the 5th Article of the Decree in consideration by Public Oversight Accounting and Auditing Standards Authority.

The Group prepared its consolidated financial statements for the six-month period ended as at 30 June 2014 in accordance with TAS 34 “Interim Financial Statements”.

Some of the disclosures and notes that are required to be included in TFRS financial statements under Decree are summarized in accordance with TAS 34 or not included in the financial statements.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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)

Statement of Compliance (continued)

The Group's condensed consolidated do not contain all necessary explanations and disclosures presented in the year-end financial statements, therefore, should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

Derivative Financial Instruments and Hedge Accounting

The Group has stated to apply the hedge accounting explained below since 10 April 2014. The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Group does not use hedging for speculative reasons. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

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.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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)

Preparation of Financial Statements in Hyperinflationary Periods

The CMB decision No: 11/367 issued at 17 March 2005 requires all companies operating in Turkey and preparing their financial statements in accordance with the Turkish Accounting Standards to cease the inflation accounting application as of 1 January 2005. Based on this requirement, the application of TAS 29 “Financial Reporting in Hyperinflationary Economies” is ceased as of 1 January 2005.

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 income arising from credit card usage incentives amounting to TRY 3,754 under other operating income. In the current year, the Group management reclassified these amounts to revenue.
- In 2013, the Group presented income arising from insurance compensations and suppliers amounting to TRY 7,053 under other operating 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 4,300 under finance income and expenses. In the current year, the Group management reclassified these amounts to income from investing activities.

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.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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

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

None.

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

Amendments to TFRS 10, 11, TAS 27	<i>Investment Entities¹</i>
Amendments to TAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to TAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
Amendments to TAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
TFRS Interpretation 21	<i>Levies¹</i>

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

Amendments to TFRS 10, 11, TAS 27 Investment Entities

This amendment with the additional provisions of TFRS 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 TAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to TAS 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 TAS 36 Recoverable Amount Disclosures for Non-Financial Assets

As a consequence of TFRS 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 TAS 36 have been changed.

Amendments to TAS 39 Novation of Derivatives and Continuation of Hedge Accounting

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 TFRSs applied with no material effect on the consolidated financial statements (continued)**

TFRS Interpretation 21 Levies

TFRS Interpretation 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 TFRSs in issue but not yet effective**

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

TFRS 9 Financial Instruments

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

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

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

The Group assessing standards impact on the financial position and performance.

2.5 **Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

Critical judgments in applying the Group's accounting policies

In the process of applying the entity's accounting policies, the Group Management has made the following judgments that have the most significant effect on the amounts recognized 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. Useful lives rely on the best estimates of the management, review every balance sheet date and if needed adjustments are proposed.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

2.5 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Critical judgments in applying the Group's accounting policies (continued)

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 811 of net impairment reversal as of 30 June 2014 (31 December 2013: TRY 222).

Decrease in value of stocks (NRV)

In accordance with the accounting policy, inventories are stated at the net realizable value. The Group's cost of sales prices under the list of products that are at the lower of cost or net realizable value is valued. NRV report by the end of the relevant month of the costs incurred in carrying value and is calculated by comparing the sales price lists.

Sales performance to products considered low by reference to the sales in previous years made provisions by the Group on the cost of sales value. For white goods and over 180 days of inactivity, as over 90 days for other products is calculated.

Income Accruals

As of 30 June 2014 concerning a portion of previous years import of air controllers, Undersecretariat of Customs under investigation by two separate examination process, the Group accrued taxes and penalties are several lawsuits filed against.

Group management, legal counsel and customs experts' opinions and in accordance with the Group resulted in favor of the cases, since there are the tax penalties regarding the 30 June 2014, the consolidated financial statements and TRY 5,157 accrued income has calculated (Note 13).

Deferred Tax Assets

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from differences between statutory financial statements and financial statements prepared in accordance with the Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"). The subsidiary of the Group has deferred tax assets arising from carried forward tax losses and other temporary differences deductible from its potential future profits. That amount of deferred tax assets which is partly or fully recoverable has been estimated under the current circumstances. During the assessment, due consideration has been given to the future taxable profit projection, potential deadlines for utilization of current period losses, unutilized losses and other tax assets, as well as tax planning strategies which might be adopted where applicable.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

NOTE 3 – SEGMENT REPORTING

The Group began applying TFRS 8 starting from 1 January 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. In addition, assets and liabilities are not included in the segment reporting since they are not regularly presented to chief operating decision maker and not monitored on a segment basis.

The details of the segment reporting are as follows:

	1 January - 30 June 2014		
	Retailer	Dealer	Total
Total segment income	1,345,974	43,039	1,389,013
Income from third party customers	1,345,974	43,039	1,389,013
Profit before interest, severance pay, depreciation and amortization (EBITDA)	22,335	3,703	26,038
Depreciation and amortization (Impairment) / reversal, net	17,059 (811)	203 -	17,262 (811)
	1 April - 30 June 2014		
	Retailer	Dealer	Total
Total segment income	682,833	24,608	707,441
Income from third party customers	682,833	24,608	707,441
Profit before interest, severance pay, depreciation and amortization (EBITDA)	9,096	3,235	12,331
Depreciation and amortization (Impairment) / reversal, net	8,761 (1,005)	106 -	8,867 (1,005)

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

NOTE 3 – SEGMENT REPORTING (Continued)

	1 January - 30 June 2013		
	Retailer	Dealer	Total
Total segment income	1,296,405	58,342	1,354,747
Income from third party customers	1,296,405	58,342	1,354,747
Profit before interest, severance pay, depreciation and amortization (EBITDA)	50,837	5,122	55,959
Depreciation and amortization	13,272	153	13,425
(Impairment) / reversal, net	94	-	94

	1 April - 30 June 2013		
	Retailer	Dealer	Total
Total segment income	651,340	42,334	693,674
Income from third party customers	651,340	42,334	693,674
Profit before interest, severance pay, depreciation and amortization (EBITDA)	26,488	4,632	31,120
Depreciation and amortization	6,906	78	6,984
(Impairment) / reversal, net	(100)	-	(100)

Reconciliation of EBITDA to “Profit before tax” is as follows:

	1 January 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
EBITDA for reportable segment information	26,038	12,331	55,959	31,120
Depreciation	(17,262)	(8,867)	(13,425)	(6,984)
Financial expenses	(10,553)	(5,980)	(7,069)	(3,596)
Investment income	4,912	1,606	4,300	1,810
Other expenses - net	(19,257)	(11,922)	(9,044)	(4,005)
Provision for employee termination benefits	(1,970)	(613)	(1,914)	(1,394)
(Loss) / Profit before tax	(18,092)	(13,445)	28,807	16,951

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

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

NOTE 4 – RELATED PARTY DISCLOSURES

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

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

	30 June 2014	
	Receivables	Payables
	Current	Current
	Trading	Trading
Balances with related parties		
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1,123	(272)
Akbank T.A.Ş.	276	-
Akçansa Çimento San. ve Tic. A.Ş.	59	-
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	55	-
Kordsa Global Endüstriyel İplik ve Kord Bezi San. Ve Tic. A.Ş.	1	-
Avivasa Emeklilik ve Hayat A.Ş.	7	(6)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	(105)
Enerjisa Enerji A.Ş. ve iştirakleri	-	(559)
	<u>1,521</u>	<u>(942)</u>

	31 December 2013	
	Receivables	Payables
	Current	Current
	Trading	Trading
Balances with related parties		
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	173	-
Avivasa Emeklilik ve Hayat A.Ş.	145	-
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	42	(45)
Akbank T.A.Ş.	16	-
Akçansa Çimento San. ve Tic. A.Ş.	13	-
Aksigorta A.Ş.	3	(42)
Sabancı Üniversitesi	1	-
Enerjisa Enerji A.Ş. ve iştirakleri	-	(462)
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>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	30 June 2014	31 December 2013
<u>Deposit accounts in Akbank T.A.Ş.</u>		
Demand deposit	419	20
Time deposit	49,070	318,140
	<u>49,489</u>	<u>318,160</u>

	1 January - 30 June 2014		
Transactions with related parties	Sales	Rent expense	Other expenses
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1,445	(4,000)	(453)
Akbank T.A.Ş.	930	-	-
Avivasa Emeklilik ve Hayat A.Ş.	383	-	(136)
H.Ö. Sabancı Holding A.Ş.	130	(9)	-
Akçansa Çimento San. ve Tic. A.Ş.	61	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş.	14	-	-
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	5	-	-
Aksigorta A.Ş.	-	(8)	(223)
Enerjisa Enerji A.Ş. ve İştirakleri	-	-	(2,957)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	47	-	(17)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	-	(1,535)
	<u>3,015</u>	<u>(4,017)</u>	<u>(5,321)</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties	1 January - 30 June 2013		
	Sales	Rent expense	Other expenses
Akbank T.A.Ş.	1,461	(14)	(118)
Avivasa Emeklilik ve Hayat A.Ş.	263	-	(456)
Aksigorta A.Ş.	183	-	-
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	134	-	-
Akçansa Çimento San. ve Tic. A.Ş.	101	-	-
H.Ö. Sabancı Holding	97	(5)	(123)
Dia Sabancı Süpermarketleri Ticaret A.Ş.	14	-	-
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	13	(2,325)	-
Enerjisa Enerji A.Ş. ve İştirakleri	-	-	(2,845)
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	-	-	(1,449)
Diğer	27	-	(545)
	<u>2,293</u>	<u>(2,344)</u>	<u>(5,536)</u>

The Company's key management has been identified as the general managers and directors. Remuneration to key management personnel consists of wages, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the interim periods ended 30 June 2014 and 30 June 2013 are as follows:

	1 January – 30 June 2014	1 January – 30 June 2013
Salaries and other benefits	<u>2,218</u>	<u>3,152</u>
	<u>2,218</u>	<u>3,152</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

(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 June 2014 and 31 December 2013 are as follows:

	30 June 2014	31 December 2013
Cash	1,052	958
Demand deposit	1,568	1,084
Time deposit	121,556	318,140
	<u>124,176</u>	<u>320,182</u>

As of 30 June 2014, the Group's time deposits are denominated only as Turkish Liras with the average interest rate of 10.55% (31 December 2013: 9.59%).

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 30 June 2014 and 31 December 2013 are as follows:

<i>Current trade receivables</i>	30 June 2014	31 December 2013
Trade receivables	26,546	29,327
Due from related parties (Note 4)	1,521	393
Notes receivables	6,307	10,127
Allowance for doubtful receivables (-)	(676)	(483)
	<u>33,698</u>	<u>39,364</u>

As of 30 June 2014, TRY 8,031 amount of trade receivables consist of receivables from credit card slips (31 December 2013: TRY 14,285).

As of 30 June 2014 and 31 December 2013, the Group has hold the below given guarantees for its checks and notes (except receivables from credit card slips).

	30 June 2014	31 December 2013
Letters of guarantees received	4,029	6,862
Cash deposits and guarantees	-	722
Mortgages	9,252	4,504
	<u>13,281</u>	<u>12,088</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

	30 June 2014	31 December 2013
<i>Current trade payables</i>		
Trade payables	715,400	736,975
Trade payables to related parties (Note 4)	942	1,905
Expense accruals	11,729	665
	<u>728,071</u>	<u>739,545</u>

As of 30 June 2014, the Group net-off income accruals related to suppliers in the amount of TRY 26,897 with its trade payables (31 December 2013: TRY 13,096).

NOTE 7 – INVENTORIES

The details of the inventories as of 30 June 2014 and 31 December 2013 are presented below:

	30 June 2014	31 December 2013
Trade goods	629,843	511,362
Goods in transit	1,527	3,512
Provision for impairment on inventories (-)	(4,884)	(3,435)
	<u>626,486</u>	<u>511,439</u>

NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of other current assets as of 30 June 2014 and 31 December 2013 are presented below:

	30 June 2014	31 Aralık 2013
<i>Short-term Prepaid Expenses</i>		
Order advances given for inventory purchase	12	10,780
Short term prepaid expenses	13,612	13,026
	<u>13,624</u>	<u>23,806</u>
	30 June 2014	31 Aralık 2013
<i>Long-term Prepaid Expenses</i>		
Long term prepaid expenses	509	905
	<u>509</u>	<u>905</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

The details of the deferred revenue as of 30 June 2014 and 31 December 2013 are presented below:

<i>Short-term Deferred Revenue</i>	30 June 2014	31 December 2013
Order advances received	20,975	24,245
Other	174	141
	<u>21,149</u>	<u>24,386</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2014**

(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 June 2014 is as below:

Cost value	Land	Building	Machinery and equipments				Furniture and fixtures	Leasehold improvements	Construction on progress	Total
			Vehicles							
Opening balance at 1 January 2014	3,444	6,310	449	86	76,732	109,516	3,349	199,886		
Additions	-	-	-	-	4,317	5,305	11,846	21,468		
Disposals	-	-	-	-	(1,675)	(1,467)	-	(3,142)		
Transfer from construction on progress (*)	-	-	-	-	2,344	6,968	(10,655)	(1,343)		
Closing balance at 30 June 2014	3,444	6,310	449	86	81,718	120,322	4,540	216,869		
Accumulated depreciation										
Opening balance at 1 January 2014	-	(584)	(271)	(72)	(41,176)	(44,192)	-	(86,295)		
Current charge	-	(104)	(28)	(4)	(5,564)	(7,917)	-	(13,617)		
Disposals	-	-	-	-	1,212	941	-	2,153		
Provision for / (reversal of) impairment net (**)	-	-	-	-	(7)	(804)	-	(811)		
Closing balance at 30 June 2014	-	(688)	(299)	(76)	(45,535)	(51,972)	-	(98,570)		
Net book value at 30 June 2014	3,444	5,622	150	10	36,183	68,350	4,540	118,299		

(*) The investment amounting TRY 1,343 has been made for intangible assets as of 30 June 2014.

(**) Impairment calculated for tangible fixed assets is TRY 1,129 as of 30 June 2014. Reversal of impairment amount is TRY 318 as of 30 June 2014.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2014**

(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 June 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	31	9	6,333	9,019	12,751	28,196
Disposals	-	-	(37)	-	(3,400)	(902)	-	(4,339)
Transfer from construction on progress (*)	-	-	-	-	2,627	7,154	(10,663)	(882)
Closing balance at 30 June 2013	3,444	6,270	321	86	71,948	103,010	5,223	190,302
Accumulated depreciation								
Opening balance at 1 January 2013	-	(282)	(286)	(64)	(36,069)	(36,554)	-	(73,255)
Current charge	-	(156)	(12)	(4)	(5,035)	(6,655)	-	(11,862)
Disposals	-	-	37	-	2,604	650	-	3,291
Provision for / (reversal of) impairment net (**)	-	-	1	-	143	(50)	-	94
Closing balance at 30 June 2013	-	(438)	(260)	(68)	(38,357)	(42,609)	-	(81,732)
Net book value at 30 June 2013	3,444	5,832	61	18	33,591	60,401	5,223	108,570

(*) The investment amounting TRY 882 has been made for intangible assets as of 30 June 2013.

(**) Impairment calculated for tangible fixed assets is TRY 375 as of 30 June 2013. Reversal of impairment amount is TRY 469 as of 30 June 2013.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

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

NOTE 10 – PAYABLES RELATED TO EMPLOYEE BENEFITS

The details of the due to employees as of 30 June 2014 and 31 December 2013 are presented below:

	30 June 2014	31 December 2013
Accrued salaries	6,698	32
Social security premiums payable	7,453	8,965
	<u>14,151</u>	<u>8,997</u>

The details of the provisions related to employee benefits as of 30 June 2014 and 31 December 2013 are presented below:

	30 June 2014	31 December 2013
<i>Short-term provisions</i>		
Sales personnel premium provision	1,796	3,378
Unused vacation provision	2,357	1,920
Administrative personnel premium provision	657	1,737
	<u>4,810</u>	<u>7,035</u>

	30 June 2014	31 December 2013
<i>Long-term provisions</i>		
Retirement pay provision	2,211	2,408
Administrative personnel premium provision	1,473	1,019
	<u>3,684</u>	<u>3,427</u>

NOTE 11 – PROVISIONS

The details of the other current provisions as of 30 June 2014 and 31 December 2013 are presented below:

	30 June 2014	31 December 2013
Litigation provisions (*)	777	774
Other	482	882
	<u>1,259</u>	<u>1,656</u>

(*) Litigation provisions are composed of consumer and employment lawsuits filed against the Group.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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 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 projected according to the agreements of the operating leases are as follows:

	30 June 2014	31-Dec 2013
Less than 1 year	63,641	57,403
Between 1-5 years	561,921	440,435
More than 5 years	160,905	134,656
	<u>786,467</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 30 June 2014. As a result of these investigations, the Custom Consultancy Inspectors identifications caused 135 lawsuits amounting to TRY 9,045 as a result of tax operations penalties. 117 of these 135 lawsuits amounting TRY 8,974 is still continuing.

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 amounting to TRY 1,925 resulted in Company's favor whereas the part of amounting to 3,012 TRY was lost. Lost causes have been appealed by the administrative board. The process is still continuing. Including the approved lawsuit and the ones that have ended in opposition to the Group, a total payment of TRY 5,615 (VAT amount of TRY 459 regarded as tax deduction) has been made in 2013.

The Group Management has accounted for TRY 5.157 of income accrual regarding such tax penalties in the consolidated financial statements at 30 June 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).

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

NOTE 12 – COMMITMENTS (Continued)

Guarantee, pledge, mortgage position

Guarantees, pledges and mortgages (“GPM”) given by the Group as of 30 June 2014 and 31 December 2013 is as follows:

CPMs given by the Group

	30 June 2014			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	32,533	2,619	4,901	12,799
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>32,533</u>	<u>2,619</u>	<u>4,901</u>	<u>12,799</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>32,533</u>	<u>2,619</u>	<u>4,901</u>	<u>12,799</u>

	31 December 2013			
	TL karşılığı	ABD Doları	Avro	TL
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 GPM given on behalf of third parties except for the GPM given in the name of the Company's own legal personality to total equity as of 30 June 2014 is 0% (31 December 2013 0%).

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

NOTE 13 – OTHER ASSETS AND LIABILITIES

The details of the other current and non-current assets as of 30 June 2014 and 31 December 2013 are presented below:

	30 June 2014	31 December 2013
<i>Other current assets</i>		
Advances given	2,308	1,556
Deferred VAT	5,791	3,626
Other current assets	477	448
	<u>8,576</u>	<u>5,630</u>
<i>Other non-current assets</i>		
	30 June 2014	31 December 2013
Income accrual (Note 12)	5,157	5,157
Evacuation fee	1,336	1,726
	<u>6,493</u>	<u>6,883</u>

The details of the other current liabilities as of 30 June 2014 and 31 December 2013 are presented below:

	30 June 2014	31 December 2013
<i>Other current liabilities</i>		
VAT payable	1,240	10,575
Other expense accruals (*)	3,375	1,445
Other liabilities and obligations	839	732
	<u>5,454</u>	<u>12,752</u>

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

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

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

NOTE 14 – REVENUE

The details sales and cost of sales for the six-month periods ended 30 June 2014 and 2013 are stated below:

	1 January – 30 June 2014	1 April – 30 June 2014	1 January – 30 June 2013	1 April – 30 June 2013
<i>Sales income (net)</i>				
Consumer electronics retail sales	1,345,974	682,833	1,296,404	651,341
Sales of air conditioner, cash registers and white goods	43,039	24,608	58,343	42,333
	<u>1,389,013</u>	<u>707,441</u>	<u>1,354,747</u>	<u>693,674</u>
<i>Cost of sales</i>				
Cost of goods sold	(1,130,002)	(579,730)	(1,102,027)	(558,081)
Installation and warranty expenses	(1,964)	(941)	(4,308)	(3,787)
	<u>(1,131,966)</u>	<u>(580,671)</u>	<u>(1,106,335)</u>	<u>(561,868)</u>

NOTE 15 – GENERAL ADMINISTRATIVE, MARKETING AND SELLING EXPENSES

The details of marketing expenses for the six-month periods ended 30 June 2014 and 2013 are stated below:

	1 January – 30 June 2014	1 April – 30 June 2014	1 January – 30 June 2013	1 April – 30 June 2013
<i>Marketing expenses</i>				
Personnel expenses	(69,579)	(32,752)	(64,897)	(33,398)
Rent expenses	(80,306)	(39,950)	(61,312)	(31,739)
Advertising and promotion expenses	(26,286)	(14,377)	(18,984)	(10,942)
Depreciation and amortization expenses	(13,256)	(6,616)	(11,514)	(5,998)
Transportation expenses	(14,185)	(7,933)	(10,175)	(5,676)
Energy, fuel and water expenses	(6,986)	(3,127)	(6,702)	(3,383)
Consulting expenses	(5,985)	(2,825)	(5,994)	(3,169)
Maintenance expenses	(3,289)	(1,590)	(3,384)	(1,789)
Communication expenses	(807)	(427)	(675)	(333)
Travel expenses	(636)	(299)	(720)	(347)
Other expenses	(6,791)	(2,920)	(7,374)	(3,477)
	<u>(228,106)</u>	<u>(112,816)</u>	<u>(191,731)</u>	<u>(100,251)</u>

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**NOTE 15 – GENERAL ADMINISTRATIVE, MARKETING AND SELLING EXPENSES
(Continued)**

The details of administrative expenses for the six-month periods ended 30 June 2014 and 2013 are stated below:

	1 January – 30 June 2014	1 April – 30 June 2014	1 January – 30 June 2013	1 April – 30 June 2013
<i>Administrative expenses</i>				
Personnel expenses	(9,691)	(4,812)	(7,773)	(4,436)
IT expenses	(2,700)	(1,230)	(2,147)	(1,155)
Depreciation and amortization expenses	(4,006)	(2,251)	(1,911)	(987)
Rent expenses	(2,475)	(1,313)	(1,576)	(797)
Consulting expenses	(1,232)	(535)	(894)	(494)
Travel expenses	(326)	(158)	(319)	(182)
Energy, fuel and water expenses	(287)	(149)	(278)	(138)
Maintenance expenses	(121)	(86)	(66)	(39)
Other expenses	(1,297)	(569)	(1,097)	(585)
	<u>(22,135)</u>	<u>(11,103)</u>	<u>(16,061)</u>	<u>(8,813)</u>

NOTE 16 – OTHER OPERATING INCOME AND EXPENSES

The details of other operating income for the six-month periods ended 30 June 2014 and 2013 are stated below:

	1 January – 30 June 2014	1 April – 30 June 2014	1 January – 30 June 2013	1 April – 30 June 2013
<i>Other operating income</i>				
Foreign exchange gains	2,459	231	1,402	961
Discount income	2,152	916	1,923	1,300
Gains from rental of stands in stores	1,101	683	396	296
Deductions from personnel	348	175	271	117
Gains from gift cheques	259	130	-	-
Other income	804	175	2,367	1,610
	<u>7,123</u>	<u>2,310</u>	<u>6,359</u>	<u>4,284</u>

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

NOTE 16 – OTHER OPERATING INCOME AND EXPENSES (Continued)

The details of other operating expenses for the six-month periods ended 30 June 2014 and 2013 are stated below:

	1 January – 30 June 2014	1 April – 30 June 2014	1 January – 30 June 2013	1 April – 30 June 2013
<i>Other operating expenses (-)</i>				
Discount expenses	(20,571)	(11,081)	(11,083)	(5,373)
Foreign exchange losses	(2,118)	(463)	(1,553)	(953)
Loss from sale of tangible asset	(1,713)	(1,577)	(889)	(691)
Litigation expenses	(139)	(99)	(334)	(150)
Donation and aid	(668)	(668)	-	-
Taxes, duties, charges and funds	(22)	(18)	(38)	(4)
Losses from gift cheques	-	-	(156)	(156)
Other expenses	(1,149)	(326)	(1,350)	(962)
	<u>(26,380)</u>	<u>(14,232)</u>	<u>(15,403)</u>	<u>(8,289)</u>

NOTE 17 – INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the six-month periods ended 30 June 2014 and 2013 are stated below:

	1 January – 30 June 2014	1 April – 30 June 2014	1 January – 30 June 2013	1 April – 30 June 2013
Interest income	4,912	1,606	4,300	1,810
	<u>4,912</u>	<u>1,606</u>	<u>4,300</u>	<u>1,810</u>

NOTE 18 – FINANCE EXPENSES

The details of finance expenses for the six-month periods ended 30 June 2014 and 2013 are stated below:

	1 January – 30 June 2014	1 April – 30 June 2014	1 January – 30 June 2013	1 April – 30 June 2013
Credit card commission expenses	(6,731)	(3,193)	(6,329)	(3,508)
Credit card promotion expenses	(2,415)	(1,440)	(536)	-
Interest and commission expenses	(1,136)	(1,131)	(19)	(9)
Guarantee letters commission expenses	(60)	(34)	(134)	(51)
Other finance expenses	(211)	(182)	(51)	(28)
	<u>(10,553)</u>	<u>(5,980)</u>	<u>(7,069)</u>	<u>(3,596)</u>

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NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

NOTE 19 -NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Foreign currency risk

The Group is exposed to the foreign exchange risk through the conversion of foreign exchange payable is resulting from the TL denominated purchases from the domestic vendors.

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.

Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts for the following 6 months to cover the risk generated from foreign currency fluctuation relating to foreign currency rent payments. As of 30 June 2014, unrealized losses from changes in the fair value of derivatives accumulated in cash flow hedge reserves in equity is TRY 825 (31 December 2013: None.).

30 June 2014	Average	Foreign	Contract	Fair Value (TL)
	Exchange Rate			
TL selling , USD buying				
Less than 3 months	2.1654	3,951	4,028	(51)
Between 3 to 6 months	2.2161	3,951	4,121	(72)
TL selling , Euro buying				
Less than 3 months	3.002	11,277	11,708	(321)
Between 3 to 6 months	3.0717	11,277	11,979	(381)
				(825)

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NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

NOTE 19 -NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign Currency Position

	<u>30 June 2014</u>				
	Equivalents of TRY	USD	Euro	GBP	Other
1. Trade receivable	2,653	1,051	145	-	109
2a. Monetary financial assets	91	37	3	1	-
2b. Non monetary financial assets	-	-	-	-	-
3. Other	6	-	2	-	-
4. CURRENT ASSETS	2,750	1,088	150	1	109
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	3	-	-	-	129
8. NON CURRENT ASSETS	3	-	-	-	129
9. TOTAL ASSETS	2,753	1,088	150	1	238
10. Trade payables	1,024	38	320	5	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	1,794	334	375	-	-
12b. Non monetary other liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	2,818	372	695	5	-
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	2,818	372	695	5	-
19. Net assets / liability position of off-balance derivative instruments (19a-19b)	-	-	-	-	-
19.a Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	-	-	-	-	-
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	-	-	-	-	-
20. Net foreign currency assets (liabilities) position (9-18+19)	(65)	716	(545)	(4)	238
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(74)	716	(547)	(4)	109
22. Total fair value of foreign currency hedge	(825)	(58)	(243)	-	-
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 REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

NOTE 19- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign Currency Position	Equivalents of TRY	31 December 2013			
		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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NOTE 19- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (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 June 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	152	(152)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1 +2)	152	(152)
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(158)	158
5 - Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(158)	158
TOTAL (3 + 6)	(6)	6

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		
7 - 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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NOTE 20 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

	<u>Loans and receivables</u>	<u>Derivative financial instruments</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value</u>	<u>Note</u>
30 June 2014					
Financial assets					
Cash and cash equivalents	124,176	-	-	124,176	5
Trade receivables (including trade receivables from related parties)	33,698	-	-	33,698	6
Other receivables (including trade receivables from related parties)	665	-	-	665	
Financial liabilities					
Trade payables (including trade payables to related parties)	-	-	728,071	728,071	6
Other payables (including trade payables to related parties)	-	-	709	709	
Derivative financial instruments	-	825	-	825	19
31 December 2013					
Financial assets					
Cash and cash equivalents	320,182	-	-	320,182	5
Trade receivables (including trade receivables from related parties)	39,364	-	-	39,364	6
Other receivables (including trade receivables from related parties)	640	-	-	640	
Financial liabilities					
Trade payables (including trade payables to related parties)	-	-	739,545	739,545	6
Other payables (including trade payables to related parties)	-	-	722	722	

The Group management believes that the carrying amount of financial assets approximate their fair values.

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NOTE 20 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices.

Fair value hierarchy of financial assets and liabilities that are measured at fair value:

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial Assets / Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation Technique (s) and key input(s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
	30 June 2014	31 December 2013				
Foreign Currency Forward Contracts	(825)	-	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.	-	-

NOTE 21 – EVENTS AFTER THE REPORTING PERIOD

The Group has opened 4 new stores and closed 4 stores in Kırklareli, Mersin, Adana and İzmir due to the store revision between the balance sheet date and 4 August 2014. In addition to this, a new store has been opened in Muğla. The related changes decreased the retail sales area of the Group by 323 meter squares. The change in net sales area in the subsequent period refers to 0.2 % decrease of the year-end net sales area.