

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

**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 September 2014 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-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, 3 November 2014

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

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

| | | Current period (Reviewed) 30 September 2014 | Prior period (Audited) 31 December 2013 |
|-----------------------------------------------|--------------|----------------------------------------------------------------|------------------------------------------------------------|
| | Notes | | |
| ASSETS | | | |
| Current Assets | | 745,071 | 900,421 |
| Cash and cash equivalents | 5 | 110,627 | 320,182 |
| Trade receivables | | 34,724 | 39,364 |
| <i>Trade receivables from related parties</i> | 4 | 3,157 | 393 |
| <i>Trade receivables from third parties</i> | 6 | 31,567 | 38,971 |
| Inventories | 7 | 580,516 | 511,439 |
| Prepaid expenses | 8 | 9,076 | 23,806 |
| Derivatives | 19 | 150 | - |
| Other current assets | 13 | 9,978 | 5,630 |
| Non current assets | | 176,776 | 155,508 |
| Other receivables | | 702 | 640 |
| Investment property | | 10,793 | 10,935 |
| Property, plant and equipment | 9 | 122,380 | 113,591 |
| Intangible assets | | 22,263 | 15,345 |
| Prepaid expenses | 8 | 822 | 905 |
| Deferred tax assets | | 13,519 | 7,209 |
| Other non current assets | 13 | 6,297 | 6,883 |
| TOTAL ASSETS | | 921,847 | 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 SEPTEMBER 2014

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

| | Notes | Current period (Reviewed) 30 September 2014 | Prior period (Audited) 31 December 2013 |
|--------------------------------------------------------------------|-------|------------------------------------------------------|--------------------------------------------------|
| LIABILITIES | | | |
| Current liabilities | | 722,734 | 799,758 |
| Trade payables | | 659,839 | 739,545 |
| <i>Trade payables to related parties</i> | 4 | 3,357 | 1,905 |
| <i>Trade payables to third parties</i> | 6 | 656,482 | 737,640 |
| Liabilities related to employee benefits | 10 | 14,386 | 8,997 |
| Other payables | | 783 | 722 |
| Deferred income | 8 | 18,483 | 24,386 |
| Current period tax liability | | 1,503 | 4,665 |
| Short term provisions | | 5,819 | 8,691 |
| <i>Provisions related to employee benefits</i> | 10 | 4,724 | 7,035 |
| <i>Other short term provisions</i> | 11 | 1,095 | 1,656 |
| Derivative financial instruments | 19 | 661 | - |
| Other current liabilities | 13 | 21,260 | 12,752 |
| Non current liabilities | | 3,804 | 3,427 |
| Other long term liabilities | | 16 | - |
| Provisions for employment termination benefits | 10 | 3,788 | 3,427 |
| EQUITY | | 195,309 | 252,744 |
| 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 | | (410) | - |
| <i>Cash flow hedge reserve</i> | | (410) | - |
| Items that will not be reclassified subsequently to profit or loss | | (249) | (300) |
| <i>Gains/ (losses) on remeasurement of defined benefit plans</i> | | (249) | (300) |
| Retained earnings | | 85,034 | 78,940 |
| Net profit for the period | | (12,858) | 56,715 |
| TOTAL LIABILITIES | | 921,847 | 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 SEPTEMBER 2014**

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

| | Notes | Current period (Reviewed) 1 January – 30 September 2014 | Current period (Not reviewed) 1 July – 30 September 2014 | Prior period (Reviewed) 1 January – 30 September 2013 | Prior period (Not reviewed) 1 July – 30 September 2013 |
|-------------------------------------------------------------------------------|-------|---------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------|
| Revenue | 14 | 2,165,050 | 776,037 | 2,140,942 | 786,195 |
| Cost of sales (-) | 14 | (1,762,995) | (631,029) | (1,738,978) | (632,643) |
| GROSS PROFIT | | 402,055 | 145,008 | 401,964 | 153,552 |
| Marketing expenses (-) | 15 | (344,720) | (116,614) | (302,059) | (110,328) |
| General administrative expenses (-) | 15 | (34,060) | (11,925) | (25,400) | (9,339) |
| Other operating income | 16 | 10,053 | 2,930 | 12,521 | 6,162 |
| Other operating expenses (-) | 16 | (39,338) | (12,958) | (26,048) | (10,645) |
| OPERATING PROFIT / (LOSS) | | (6,010) | 6,441 | 60,978 | 29,402 |
| Income from investing activities | 17 | 6,093 | 1,181 | 5,842 | 1,542 |
| OPERATING (LOSS) / PROFIT BEFORE FINANCIAL EXPENSE | | 83 | 7,622 | 66,820 | 30,944 |
| Finance expenses (-) | 18 | (15,948) | (5,395) | (11,582) | (4,513) |
| (LOSS) / PROFIT BEFORE TAX | | (15,865) | 2,227 | 55,238 | 26,431 |
| Tax income / (expense) | | 3,007 | (480) | (10,208) | (5,342) |
| - Current tax expense | | (3,214) | (1,596) | (12,526) | (6,011) |
| - Deferred tax income / (expense) | | 6,221 | 1,116 | 2,318 | 669 |
| NET (LOSS) / PROFIT FOR THE PERIOD | | (12,858) | 1,747 | 45,030 | 21,089 |
| OTHER COMPREHENSIVE INCOME / (LOSS) | | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Gain / (loss) on remeasurement of defined benefit plans | | 51 | (31) | (11) | 266 |
| Deferred tax expense | | 64 | (39) | (14) | 332 |
| | | (13) | 8 | 3 | (66) |
| Items that will be reclassified subsequently to profit or loss | | | | | |
| Loss on cash flow hedges | | (410) | 250 | - | - |
| Deferred tax income | | (511) | 314 | - | - |
| | | 101 | (64) | - | - |
| TOTAL COMPREHENSIVE (LOSS)/ INCOME | | (13,217) | 1,966 | 45,019 | 21,355 |
| (Loss) / earnings per share (1000 shares) | | (0.012) | 0.002 | 0.041 | 0.019 |

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 SEPTEMBER 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 |
|-------------------------------|------------------|------------------------------------|------------------------|-------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------|------------------------|-----------------|
| <u>Prior period</u> | | | | | | | | | |
| Balance at 1 January 2013 | 110,000 | 6,628 | 758 | 3 | (92) | - | 20,533 | 50,535 | 188,365 |
| Transfer to retained earnings | - | - | - | - | - | - | 50,535 | (50,535) | - |
| Total comprehensive income | - | - | - | - | (11) | - | - | 45,030 | 45,019 |
| Balance at 30 September 2013 | 110,000 | 6,628 | 758 | 3 | (103) | - | 71,068 | 45,030 | 233,384 |
| <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 | - | - | 6,403 | - | - | - | 50,312 | (56,715) | - |
| Dividends (*) | - | - | - | - | - | - | (44,218) | - | (44,218) |
| Total comprehensive loss | - | - | - | - | 51 | (410) | - | (12,858) | (13,217) |
| Balance at 30 September 2014 | 110,000 | 6,628 | 7,161 | 3 | (249) | (410) | 85,034 | (12,858) | 195,309 |

(*) 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 SEPTEMBER 2014**

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

| | Notes | Current period (Reviewed) 1 January – 30 September 2014 | Prior period (Reviewed) 1 January – 30 September 2013 |
|----------------------------------------------------------------------------------|-------|---------------------------------------------------------------------|-------------------------------------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| (Loss) / profit before tax | | (12,858) | 45,030 |
| Adjustments: | | | |
| Interest expense, credit cards' commissions and other financing expenses | 18 | 15,948 | 11,582 |
| Depreciation and amortization expenses | 15 | 26,800 | 20,884 |
| Retirement pay provision | | 2,514 | 2,911 |
| Unused vacation provision | 10 | 45 | 39 |
| Loss arising tangible assets' disposal of closed down stores | 9 | 4,117 | 2,474 |
| Release of impairment of tangible assets related to the stores to be closed, net | 9 | 26 | (401) |
| Provision for impairment on inventories | | 1,896 | 895 |
| Interest income | 17 | (6,093) | (5,842) |
| Tax expense | | (3,007) | 10,208 |
| | | 29,388 | 87,780 |
| Operating cash flows before changes in working capital | | | |
| Decrease / (increase) in trade receivables and other receivables | | 7,404 | 1,174 |
| (Increase) / decrease in trade receivables from related parties | | (2,764) | 5,981 |
| (Increase) / Decrease in inventories | | (70,973) | (12,931) |
| Decrease / (increase) in other current assets and prepaid | | 10,463 | (27,056) |
| Decrease / (increase) in other non current assets | | 524 | (4,594) |
| (Decrease) in trade payables | | (81,158) | (236,775) |
| (Decrease) in trade payables to related parties | | 1,452 | (1,916) |
| (Decrease) / increase in other current liabilities | | 5,138 | 24,398 |
| Increase / (decrease) in other non current liabilities | | 616 | (707) |
| Retirement pay provison paid | | (2,688) | (1,661) |
| Current tax paid | | (6,376) | (12,267) |
| Cash used in operations | | (108,974) | (178,574) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of tangible assets | 9 | (37,475) | (42,155) |
| Purchase of intangible assets | | (9,033) | (4,623) |
| Interest received | 17 | 6,093 | 5,842 |
| Cash used in investment activities | | (40,415) | (40,936) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest, credit card commissions and other finance costs paid | 18 | (15,948) | (11,582) |
| Dividend payments | | (44,218) | - |
| Cash used in financing activities | | (60,166) | (11,582) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | (209,555) | (231,092) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | 320,182 | 355,210 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 110,627 | 124,118 |

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 SEPTEMBER 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 technology products 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 3,578 as of 30 September 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 300 stores with 176,925 square meters retail space as of 30 September 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 nine-month period ended as at 30 September 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.

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

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 foreign exchange gains amounting to TRY 2,019 under other finance income in the statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified these amounts to other operating income.
- In 2013, the Group presented foreign exchange losses amounting to TRY 238 under finance expenses in the statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified these amounts to other operating expenses.
- In 2013, the Group presented interest income from time deposits amounting to TRY 5,842 under finance income and expenses in the statement of profit or loss and other comprehensive income. 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.

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

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

IFRS Interpretation 21 Levies

IFRS 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 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 Contributions¹</i> |
| Annual Improvements to 2010-2012 Cycle | <i>IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24, IFRS 9, IAS 37, IAS 39¹</i> |
| Annual Improvements to 2011-2013 Cycle | <i>IFRS 3, IFRS 13, IAS 40¹</i> |
| Amendments to IAS 16 and IAS 38) | <i>Clarification of Acceptable Methods of Depreciation and Amortisation²</i> |

¹ Effective for annual periods beginning on or after 30 June 2014.

² Effective for annual periods beginning on or after 31 December 2015

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 REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 TFRSs in issue but not yet effective (continued)

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

The amendments clarify 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.

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 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 REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 TFRSs in issue but not yet effective (continued)

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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

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.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 26 of net impairment reversal as of 30 September 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 September 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 September 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 SEPTEMBER 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: Technology products 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 September 2014 | | |
|--------------------------------------------------------------------------------------|-------------------------------|---------------|------------------|
| | Retailer | Dealer | Total |
| Total segment income | 2,097,627 | 67,423 | 2,165,050 |
| Income from third party customers | 2,097,627 | 67,423 | 2,165,050 |
| Profit before interest, severance pay, depreciation and amortization (EBITDA) | 45,769 | 6,820 | 52,589 |
| Depreciation and amortization | 26,476 | 324 | 26,800 |
| (Impairment) / reversal, net | (26) | - | (26) |
| | | | |
| | 1 July - 30 September 2014 | | |
| | Retailer | Dealer | Total |
| Total segment income | 751,653 | 24,384 | 776,037 |
| Income from third party customers | 751,653 | 24,384 | 776,037 |
| Profit before interest, severance pay, depreciation and amortization (EBITDA) | 23,434 | 3,117 | 26,551 |
| Depreciation and amortization | 9,417 | 121 | 9,538 |
| (Impairment) / reversal, net | 785 | - | 785 |

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

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

NOTE 3 – SEGMENT REPORTING (Continued)

| | 1 January - 30 September 2013 | | |
|--------------------------------------------------------------------------------------|-------------------------------|---------------|------------------|
| | Retailer | Dealer | Total |
| Total segment income | 2,049,913 | 91,029 | 2,140,942 |
| Income from third party customers | 2,049,913 | 91,029 | 2,140,942 |
| Profit before interest, severance pay, depreciation and amortization (EBITDA) | 88,584 | 9,716 | 98,300 |
| Depreciation and amortization | 20,652 | 232 | 20,884 |
| (Impairment) / reversal, net | 401 | - | 401 |

| | 1 July - 30 September 2013 | | |
|--------------------------------------------------------------------------------------|----------------------------|---------------|----------------|
| | Retailer | Dealer | Total |
| Total segment income | 753,508 | 32,687 | 786,195 |
| Income from third party customers | 753,508 | 32,687 | 786,195 |
| Profit before interest, severance pay, depreciation and amortization (EBITDA) | 37,747 | 4,594 | 42,341 |
| Depreciation and amortization | 7,380 | 79 | 7,459 |
| (Impairment) / reversal, net | 307 | - | 307 |

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

| | 1 January 30 September 2014 | 1 July- 30 September 2014 | 1 January- 30 September 2013 | 1 July- 30 September 2013 |
|---------------------------------------------|--------------------------------|------------------------------|---------------------------------|------------------------------|
| EBITDA for reportable segment information | 52,589 | 26,551 | 98,300 | 42,341 |
| Depreciation | (26,800) | (9,538) | (20,884) | (7,459) |
| Financial expenses | (15,948) | (5,395) | (11,582) | (4,513) |
| Investment income | 6,093 | 1,181 | 5,842 | 1,542 |
| Other expenses - net | (29,285) | (10,028) | (13,527) | (4,483) |
| Provision for employee termination benefits | (2,514) | (544) | (2,911) | (997) |
| (Loss) / Profit before tax | (15,865) | 2,227 | 55,238 | 26,431 |

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2014 | |
|--------------------------------------------------|-------------------|----------------|
| | Receivables | Payables |
| | Current | Current |
| | Trading | Trading |
| Balances with related parties | | |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş. | 2,138 | - |
| Akbank T.A.Ş. | 585 | - |
| Aksigorta A.Ş. | 332 | (548) |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş. | 57 | (20) |
| Akçansa Çimento San. ve Tic. A.Ş. | 23 | - |
| Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş. | 13 | (1,955) |
| Philip Morris Sabancı Pazarlama Satış A.Ş. | 7 | - |
| Avivasa Emeklilik ve Hayat A.Ş. | 2 | (11) |
| Enerjisa Enerji A.Ş. ve iştirakleri | - | (823) |
| | <u>3,157</u> | <u>(3,357)</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 SEPTEMBER 2014**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

| <u>Deposit accounts in Akbank T.A.Ş.</u> | <u>30 September 2014</u> | <u>31 December 2013</u> |
|------------------------------------------|------------------------------|-----------------------------|
| Demand deposit | 604 | 20 |
| Time deposit | 107,494 | 318,140 |
| | <u>108,098</u> | <u>318,160</u> |

| <u>Transactions with related parties</u> | <u>1 January - 30 September 2014</u> | | |
|-------------------------------------------------------------------|--------------------------------------|---------------------|---------------------------|
| | <u>Sales</u> | <u>Rent expense</u> | <u>Other expenses</u> |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş. | 3,401 | (5,572) | (827) |
| Akbank T.A.Ş. | 1,812 | | 6,093 |
| Aksigorta A.Ş. | 738 | | (3,301) |
| Avivasa Emeklilik ve Hayat A.Ş. | 577 | | (106) |
| H.Ö. Sabancı Holding A.Ş. | 130 | | - |
| Akçansa Çimento San. ve Tic. A.Ş. | 105 | | - |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş. | 95 | | (34) |
| Philip Morris Sabancı Pazarlama Satış A.Ş. | 22 | | - |
| Enerjisa Enerji A.Ş. ve İştirakleri | 14 | | (4,783) |
| Sabancı Üniversitesi | 11 | | - |
| Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş. | 5 | | - |
| Vista Turizm ve Seyahat A.Ş. | 0 | | (7) |
| Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş. | 2 | | (4,634) |
| | <u>6,912</u> | <u>(5,572)</u> | <u>(7,599)</u> |

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2013 | | |
|----------------------------------------------------------------|-------------------------------|----------------|----------------|
| | Sales | Rent expense | Other expenses |
| Akbank T.A.Ş. | 2,081 | | 8,808 |
| Avivasa Emeklilik ve Hayat A.Ş. | 302 | | (1,743) |
| Aksigorta A.Ş. | 183 | | |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş. | 134 | | |
| Akçansa Çimento San. ve Tic. A.Ş. | 243 | | |
| H.Ö. Sabancı Holding | 97 | (12) | (100) |
| Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş. | 21 | - | - |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş. | 13 | (2,948) | - |
| Enerjisa Enerji A.Ş. ve İştirakleri | - | - | (4,569) |
| Diğer | 16 | - | - |
| | <u>3,090</u> | <u>(2,960)</u> | <u>2,396</u> |

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

| | 1 January – 30 September 2014 | 1 January – 30 September 2013 |
|-----------------------------|-------------------------------------|-------------------------------------|
| Salaries and other benefits | <u>3,135</u> | <u>5,395</u> |
| | <u>3,135</u> | <u>5,395</u> |

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2014 and 31 December 2013 are as follows:

| | 30 September 2014 | 31 December 2013 |
|----------------|----------------------|---------------------|
| Cash | 1,277 | 958 |
| Demand deposit | 1,834 | 1,084 |
| Time deposit | 107,516 | 318,140 |
| | <u>110,627</u> | <u>320,182</u> |

As of 30 September 2014, Group's time deposits include TRY 106, 355 Turkish Liras and USD time deposits of TRY 1.139 with the average interest rates of 9% and 1.95% respectively (31 December 2013: 9.59%).

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

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

| <u>Current trade receivables</u> | 30 September 2014 | 31 December 2013 |
|----------------------------------------|----------------------|---------------------|
| Trade receivables | 27,086 | 29,327 |
| Due from related parties (Note 4) | 3,157 | 393 |
| Notes receivables | 5,279 | 10,127 |
| Allowance for doubtful receivables (-) | (798) | (483) |
| | <u>34,724</u> | <u>39,364</u> |

As of 30 September 2014, TRY 9,765 amount of trade receivables consist of receivables from credit card slips (31 December 2013: TRY 14,285).

As of 30 September 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 September 2014 | 31 December 2013 |
|--------------------------------|----------------------|---------------------|
| Letters of guarantees received | 3,496 | 6,862 |
| Cash deposits and guarantees | - | 722 |
| Mortgages | 7,359 | 4,504 |
| | <u>10,855</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 SEPTEMBER 2014**

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

| | 30 September 2014 | 31 December 2013 |
|--------------------------------------------|----------------------|---------------------|
| <i>Current trade payables</i> | | |
| Trade payables | 640,473 | 736,975 |
| Trade payables to related parties (Note 4) | 3,357 | 1,905 |
| Expense accruals | 16,009 | 665 |
| | <u>659,839</u> | <u>739,545</u> |

As of 30 September 2014, the Group net-off income accruals related to suppliers in the amount of TRY 60,018 with its trade payables (31 December 2013: TRY 13,096).

NOTE 7 – INVENTORIES

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

| | 30 September 2014 | 31 December 2013 |
|---------------------------------------------|----------------------|---------------------|
| Trade goods | 580,978 | 511,362 |
| Goods in transit | 4,869 | 3,512 |
| Provision for impairment on inventories (-) | (5,331) | (3,435) |
| | <u>580,516</u> | <u>511,439</u> |

NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE

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

| | 30 September 2014 | 31 December 2013 |
|---------------------------------------------|----------------------|---------------------|
| <i>Short-term Prepaid Expenses</i> | | |
| Order advances given for inventory purchase | 2 | 10,780 |
| Short term prepaid expenses | 9,074 | 13,026 |
| | <u>9,076</u> | <u>23,806</u> |
| <i>Long-term Prepaid Expenses</i> | | |
| Long term prepaid expenses | 822 | 905 |
| | <u>822</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 SEPTEMBER 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 September 2014 and 31 December 2013 are presented below:

| | 30 September 2014 | 31 December 2013 |
|------------------------------------|----------------------|---------------------|
| <i>Short-term Deferred Revenue</i> | | |
| Order advances received | 18,339 | 24,245 |
| Other | 144 | 141 |
| | <u>18,483</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 SEPTEMBER 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 September 2014 is as below:

| | Land | Building | Machinery and equipments | Vehicles | Furniture and fixtures | Leasehold improvements | Construction on progress | Total |
|------------------------------------------------------|-------|----------|--------------------------------|----------|---------------------------|---------------------------|-----------------------------|-----------|
| Cost value | | | | | | | | |
| Opening balance at 1 January 2014 | 3,444 | 6,310 | 449 | 86 | 76,732 | 109,516 | 3,349 | 199,886 |
| Additions | - | - | 82 | - | 7,560 | 10,960 | 18,873 | 37,475 |
| Disposals | - | - | (84) | - | (4,680) | (6,205) | - | (10,969) |
| Transfer from construction on progress (*) | - | - | - | - | 3,457 | 8,458 | (15,820) | (3,905) |
| Closing balance at 30 September 2014 | 3,444 | 6,310 | 447 | 86 | 83,069 | 122,729 | 6,402 | 222,487 |
| Accumulated depreciation | | | | | | | | |
| Opening balance at 1 January 2014 | - | (584) | (271) | (72) | (41,176) | (44,192) | - | (86,295) |
| Current charge | - | (85) | (42) | (6) | (8,325) | (12,180) | - | (20,638) |
| Disposals | - | - | 17 | - | 3,335 | 3,500 | - | 6,852 |
| Provision for / (reversal of) impairment net (**) | - | - | - | - | (129) | 103 | - | (26) |
| Closing balance at 30 September 2014 | - | (669) | (296) | (78) | (46,295) | (52,769) | - | (100,107) |
| Net book value at 30 September 2014 | 3,444 | 5,641 | 151 | 8 | 36,774 | 69,960 | 6,402 | 122,380 |

(*) The investment amounting TRY 3,905 has been made for intangible assets as of 30 September 2014.

(**) Impairment calculated for tangible fixed assets is TRY 391 as of 30 September 2014. Reversal of impairment amount is TRY 365 as of 30 September 2014.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2013 is as below:

| | Land | Building | Machinery and equipments | Vehicles | Furniture and fixtures | Leasehold improvements | Construction on progress | Total |
|------------------------------------------------------|-------|----------|--------------------------------|----------|---------------------------|---------------------------|-----------------------------|----------|
| Cost value | | | | | | | | |
| Opening balance at 1 January 2013 | 3,444 | 6,217 | 327 | 77 | 66,388 | 87,739 | 3,135 | 167,327 |
| Additions | - | 53 | 66 | 9 | 9,770 | 12,194 | 20,063 | 42,155 |
| Disposals | - | - | (37) | - | (4,765) | (1,543) | - | (6,345) |
| Transfer from construction on progress (*) | - | - | - | - | 4,336 | 12,427 | (18,377) | (1,614) |
| Closing balance at 30 September 2013 | 3,444 | 6,270 | 356 | 86 | 75,729 | 110,817 | 4,821 | 201,523 |
| Accumulated depreciation | | | | | | | | |
| Opening balance at 1 January 2013 | - | (282) | (286) | (64) | (36,069) | (36,554) | - | (73,255) |
| Current charge | - | (226) | (20) | (6) | (7,318) | (10,014) | - | (17,584) |
| Disposals | - | - | 37 | - | 2,898 | 936 | - | 3,871 |
| Provision for / (reversal of) impairment net (**) | - | - | 1 | - | 303 | 97 | - | 401 |
| Closing balance at 30 September 2013 | - | (508) | (268) | (70) | (40,186) | (45,535) | - | (86,567) |
| Net book value at 30 September 2013 | 3,444 | 5,762 | 88 | 16 | 35,543 | 65,282 | 4,821 | 114,956 |

(*) The investment amounting TRY 1,614 has been made for intangible assets as of 30 September 2013.

(**) Impairment calculated for tangible fixed assets is TRY 173 as of 30 September 2013. Reversal of impairment amount is TRY 574 as of 30 September 2013.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2014 and 31 December 2013 are presented below:

| | 30 September 2014 | 31 December 2013 |
|----------------------------------|----------------------|---------------------|
| Accrued salaries | 6,757 | 32 |
| Social security premiums payable | 7,629 | 8,965 |
| | <u>14,386</u> | <u>8,997</u> |

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

| | 30 September 2014 | 31 December 2013 |
|--------------------------------------------|----------------------|---------------------|
| <i>Short-term provisions</i> | | |
| Sales personnel premium provision | 1,923 | 3,378 |
| Unused vacation provision | 1,965 | 1,920 |
| Administrative personnel premium provision | 836 | 1,737 |
| | <u>4,724</u> | <u>7,035</u> |

| | 30 September 2014 | 31 December 2013 |
|--------------------------------------------|----------------------|---------------------|
| <i>Long-term provisions</i> | | |
| Retirement pay provision | 2,170 | 2,408 |
| Administrative personnel premium provision | 1,618 | 1,019 |
| | <u>3,788</u> | <u>3,427</u> |

NOTE 11 – PROVISIONS

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

| | 30 September 2014 | 31 December 2013 |
|---------------------------|----------------------|---------------------|
| Litigation provisions (*) | 581 | 774 |
| Other | 514 | 882 |
| | <u>1,095</u> | <u>1,656</u> |

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

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NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2014 | 31 December 2013 |
|-------------------|----------------------|---------------------|
| Less than 1 year | 58,610 | 57,403 |
| Between 1-5 years | 609,067 | 440,435 |
| More than 5 years | 157,497 | 134,656 |
| | <u>825,174</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 September 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 (TRY 118 resulted in the Company's favor and TRY 4,037 resulted in the Company's favor but have been appealed by the administrative board. The process is still continuing.) 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 TRY 3,012 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 September 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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NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2014 and 31 December 2013 are as follows:

| CPMs given by the Group | 30 September 2014 | | | |
|-------------------------------------------------------------------------------------|----------------------|---------------------|----------------------|----------------------|
| | TRY equivalent | USD | Euro | TRY |
| A. GPM given on behalf of its own legal entity | | | | |
| -Guarantee | 34,296 | 3,006 | 5,013 | 12,951 |
| -Pledge | - | - | - | - |
| -Mortgage | - | - | - | - |
| | <u>34,296</u> | <u>3,006</u> | <u>5,013</u> | <u>12,951</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>34,296</u> | <u>3,006</u> | <u>5,013</u> | <u>12,951</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 September 2014 is 0% (31 December 2013 0%).

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NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2014 and 31 December 2013 are presented below:

| | 30 September 2014 | 31 December 2013 |
|----------------------------------------|----------------------|---------------------|
| <i><u>Other current assets</u></i> | | |
| Advances given | 1,437 | 1,556 |
| Deferred VAT | 7,665 | 3,626 |
| Other current assets | 876 | 448 |
| | <u>9,978</u> | <u>5,630</u> |
| <i><u>Other non-current assets</u></i> | | |
| | 30 September 2014 | 31 December 2013 |
| Income accrual (Note 12) | 5,157 | 5,157 |
| Evacuation fee | 1,140 | 1,726 |
| | <u>6,297</u> | <u>6,883</u> |

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

| | 30 September 2014 | 31 December 2013 |
|-----------------------------------------|----------------------|---------------------|
| <i><u>Other current liabilities</u></i> | | |
| VAT payable | 19,515 | 10,575 |
| Other expense accruals (*) | 869 | 1,445 |
| Other liabilities and obligations | 876 | 732 |
| | <u>21,260</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 SEPTEMBER 2014**

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

NOTE 14 – REVENUE

The details sales and cost of sales for the interim periods ended 30 September 2014 and 2013 are stated below:

| | 1 January – 30 September 2014 | 1 July – 30 September 2014 | 1 January – 30 September 2013 | 1 July – 30 September 2013 |
|------------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Sales income (net)</i> | | | | |
| Consumer electronics retail sales | 2,097,627 | 751,653 | 2,049,913 | 753,509 |
| Sales of air conditioner, cash registers | 67,423 | 24,384 | 91,029 | 32,686 |
| | <u>2,165,050</u> | <u>776,037</u> | <u>2,140,942</u> | <u>786,195</u> |
| <i>Cost of sales</i> | | | | |
| Cost of goods sold | (1,759,869) | (629,867) | (1,733,212) | (631,185) |
| Installation and warranty expenses | (3,126) | (1,162) | (5,766) | (1,458) |
| | <u>(1,762,995)</u> | <u>(631,029)</u> | <u>(1,738,978)</u> | <u>(632,643)</u> |

NOTE 15 – GENERAL ADMINISTRATIVE, MARKETING AND SELLING EXPENSES

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

| | 1 January – 30 September 2014 | 1 July – 30 September 2014 | 1 January – 30 September 2013 | 1 July – 30 September 2013 |
|----------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Marketing expenses</i> | | | | |
| Rent expenses | (121,219) | (40,913) | (96,545) | (35,233) |
| Personnel expenses | (103,393) | (33,814) | (100,447) | (35,550) |
| Advertising and promotion expense | (40,283) | (13,997) | (31,096) | (12,112) |
| Transportation expenses | (22,308) | (8,123) | (16,563) | (6,388) |
| Depreciation and amortization expenses | (19,956) | (6,700) | (17,964) | (6,450) |
| Energy, fuel and water expenses | (11,136) | (4,150) | (10,833) | (4,131) |
| Consulting expenses | (9,116) | (3,131) | (9,699) | (3,705) |
| Maintenance expenses | (5,095) | (1,806) | (5,384) | (2,000) |
| Communication expenses | (1,324) | (517) | (1,034) | (359) |
| Travel expenses | (1,025) | (389) | (1,094) | (374) |
| Other expenses | (9,865) | (3,074) | (11,400) | (4,026) |
| | <u>(344,720)</u> | <u>(116,614)</u> | <u>(302,059)</u> | <u>(110,328)</u> |

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

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

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

| | 1 January – 30 September 2014 | 1 July – 30 September 2014 | 1 January – 30 September 2013 | 1 July – 30 September 2013 |
|----------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Administrative expenses</i> | | | | |
| Personnel expenses | (14,225) | (4,534) | (12,610) | (4,837) |
| Depreciation and amortization expenses | (6,844) | (2,838) | (2,920) | (1,009) |
| IT expenses | (4,642) | (1,942) | (3,586) | (1,439) |
| Rent expenses | (3,443) | (968) | (2,332) | (756) |
| Consulting expenses | (1,818) | (586) | (1,349) | (455) |
| Travel expenses | (474) | (148) | (481) | (162) |
| Energy, fuel and water expenses | (434) | (147) | (435) | (157) |
| Maintenance expenses | (204) | (83) | (122) | (56) |
| Other expenses | (1,976) | (679) | (1,565) | (468) |
| | <u>(34,060)</u> | <u>(11,925)</u> | <u>(25,400)</u> | <u>(9,339)</u> |

NOTE 16 – OTHER OPERATING INCOME AND EXPENSES

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

| | 1 January – 30 September 2014 | 1 July – 30 September 2014 | 1 January – 30 September 2013 | 1 July – 30 September 2013 |
|---------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Other operating income</i> | | | | |
| Due date income | 3,164 | 1,012 | 3,765 | 1,842 |
| Foreign exchange gains | 2,911 | 452 | 4,543 | 3,141 |
| Gains from rental of stands in stores | 1,612 | 511 | 418 | 22 |
| Deductions from personnel | 504 | 156 | 427 | 156 |
| Other income | 1,862 | 799 | 3,368 | 1,001 |
| | <u>10,053</u> | <u>2,930</u> | <u>12,521</u> | <u>6,162</u> |

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

(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 nine-month periods ended 30 September 2014 and 2013 are stated below:

| | 1 January – 30 September 2014 | 1 July – 30 September 2014 | 1 January – 30 September 2013 | 1 July – 30 September 2013 |
|-------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Other operating expenses (-)</i> | | | | |
| Due date expenses | (29,221) | (8,650) | (19,408) | (8,325) |
| Loss from sale of tangible asset | (3,879) | (2,166) | (1,293) | (404) |
| Foreign exchange losses | (3,229) | (1,111) | (2,761) | (1,208) |
| Commission expenses | (1,091) | (423) | (366) | (366) |
| Litigation expenses | (180) | (41) | (557) | (223) |
| Taxes, duties, charges and funds | (26) | (4) | (42) | (4) |
| Other expenses | (1,712) | (563) | (1,621) | (115) |
| | <u>(39,338)</u> | <u>(12,958)</u> | <u>(26,048)</u> | <u>(10,645)</u> |

NOTE 17 – INCOME FROM INVESTING ACTIVITIES

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

| | 1 January – 30 September 2014 | 1 July – 30 September 2014 | 1 January – 30 September 2013 | 1 July – 30 September 2013 |
|-----------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Interest income | 6,093 | 1,181 | 5,842 | 1,542 |
| | <u>6,093</u> | <u>1,181</u> | <u>5,842</u> | <u>1,542</u> |

NOTE 18 – FINANCE EXPENSES

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

| | 1 January – 30 September 2014 | 1 July – 30 September 2014 | 1 January – 30 September 2013 | 1 July – 30 September 2013 |
|------------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Credit card commission expenses | (9,888) | (3,157) | (9,530) | (3,201) |
| Interest and commission expenses | (2,994) | (1,858) | (26) | (7) |
| Credit card promotion expenses | (2,880) | (465) | (1,741) | (1,205) |
| Guarantee letters commission expenses | (101) | (41) | (207) | (73) |
| Other finance expenses | (85) | 126 | (78) | (27) |
| | <u>(15,948)</u> | <u>(5,395)</u> | <u>(11,582)</u> | <u>(4,513)</u> |

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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 2014 forward foreign exchange contracts for 3 months following the balance sheet to cover the risk generated from foreign currency fluctuation relating to foreign currency rent payments. As of 30 September 2014, unrealized losses from changes in the fair value of derivatives accumulated in cash flow hedge reserves in equity is TRY 511 (31 December 2013: None.).

| 30 September 2014 | Average Exchange Rate | Foreign Currency (TL) | Contract Value (TL) | Fair Value (TL) |
|--------------------------|--------------------------------------|----------------------------------|--------------------------------|------------------------|
| TL selling , USD buying | | | | |
| Less than 3 months | 2.2161 | 4,122 | 4,239 | 150 |
| TL selling , Euro buying | | | | |
| Less than 3 months | 3.0717 | 11,979 | 11,277 | (661) |
| | | | | (511) |

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(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 | 30 September 2014 | | | |
|------------------------------------------------------------------------------------------------------------|-----------------------|-------------------|-------|-----|-------|
| | | USD | Euro | GBP | Other |
| 1. Trade receivable | 1,885 | 693 | 105 | - | 109 |
| 2a. Monetary financial assets | 1,355 | 577 | 14 | - | - |
| 2b. Non monetary financial assets | - | - | - | - | - |
| 3. Other | 33 | 7 | 6 | - | - |
| 4. CURRENT ASSETS | 3,274 | 1,277 | 125 | - | 109 |
| 5. Trade receivables | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - |
| 6b. Non monetary financial assets | - | - | - | - | - |
| 7. Other | - | - | - | - | - |
| 8. NON CURRENT ASSETS | - | - | - | - | - |
| 9. TOTAL ASSETS | 3,274 | 1,277 | 125 | - | 109 |
| 10. Trade payables | 2,769 | 1,160 | 37 | 5 | - |
| 11. Financial liabilities | - | - | - | - | - |
| 12a. Other monetary liabilities | 1,852 | 337 | 375 | - | - |
| 12b. Non monetary other liabilities | - | - | - | - | - |
| 13. CURRENT LIABILITIES | 4,621 | 1,497 | 412 | 5 | - |
| 14. Trade payables | - | - | - | - | - |
| 15. Financial liabilities | - | - | - | - | - |
| 16a. Monetary other liabilities | - | - | - | - | - |
| 16b. Non monetary other liabilities | - | - | - | - | - |
| 17. NON CURRENT LIABILITIES | - | - | - | - | - |
| 18. TOTAL LIABILITIES | 4,621 | 1,497 | 412 | 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) | (1,347) | (220) | (287) | (5) | 109 |
| 21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a) | (1,381) | (227) | (293) | (5) | 109 |
| 22. Total fair value of foreign currency hedge | (511) | 66 | (229) | - | - |
| 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)

| 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 September 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 | (52) | 52 |
| 2- Amount hedged for USD risk (-) | - | - |
| 3- USD net effect (1 +2) | (52) | 52 |
| In case 10% appreciation of EUR against TL | | |
| 4 - EUR net assets/liabilities | (85) | 85 |
| 5 - Amount hedged for EUR risk (-) | - | - |
| 6- EUR net effect (4+5) | (85) | 85 |
| TOTAL (3 + 6) | (136) | 136 |

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>30 September 2014</u> | <u>Loans and receivables</u> | <u>Derivative financial instruments</u> | <u>Financial liabilities at amortized cost</u> | <u>Carrying value</u> | <u>Note</u> |
|-----------------------------------------------------------------------|-------------------------------------|----------------------------------------------------|-----------------------------------------------------------|------------------------------|--------------------|
| <u>Financial assets</u> | | | | | |
| Cash and cash equivalents | 110,627 | - | - | 110,627 | 5 |
| Trade receivables (including trade receivables from related parties) | 34,724 | - | - | 34,724 | 6 |
| Other receivables (including trade receivables from related parties) | 702 | - | - | 702 | |
| Derivative instruments | - | 150 | - | 150 | 19 |
| <u>Financial liabilities</u> | | | | | |
| Trade payables (including trade payables to related parties) | - | - | 659,839 | 659,839 | 6 |
| Other payables (including trade payables to related parties) | - | - | 783 | 783 | |
| Derivative financial instruments | - | 661 | - | 661 | 19 |
| <u>31 December 2013</u> | | | | | |
| | <u>Loans and receivables</u> | <u>Derivative financial instruments</u> | <u>Financial liabilities at amortized cost</u> | <u>Carrying value</u> | <u>Note</u> |
| <u>Financial assets</u> | | | | | |
| 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 | |
| <u>Financial liabilities</u> | | | | | |
| 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.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

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

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 September 2014 | 31 December 2013 | | | | |
| Foreign Currency Forward Contracts | (511) | - | 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 2 new stores and closed 2 stores in Şanlıurfa and Kahramanmaraş due to the store revision between the balance sheet date and 3 November 2014. The related changes decreased the retail sales area of the Group by 861 meter squares.