TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 WITH INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

20 February 2018

This report includes 7 pages of independent auditor's review report and 56 pages of financial statements and notes to the financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TeknoSA İç ve Dış Ticaret Anonim Şirketi

A) Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TeknoSA İç ve Dış Ticaret Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TASs").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA'sCode of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Bagımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a Turkish corporation and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative, a Swiss entity.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and turnover premiums income

Refer to Note 2.5 to the financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition and turnover premiums income.

The key audit matter	How the matter was addressed in our audit
The Company's revenue is primarily generated from retail sales of consumer electronics through its stores and website and air conditioners and white goods through its dealers. Besides, the Company also recognize turnover premiums income from suppliers as such income are accounted for on accrual basis in the period of the services of the vendors and deducted from cost of sales. The accuracy of retail sales revenue recognized in the financial statements is an inherent industry risk because there is processing of large volumes of data. Accounting for revenue from retail sales revenue has been identified as one of the key audit matters, as the accuracy of revenue recorded by information technology ("IT") billing systems involves a natural control risk due to the complexity of these systems and the size of the volume of data processed by these systems. The Company's turnover premiums income are based on the transactions with suppliers and related premiums income consist of commitments to purchase amounts, promotions and marketing activities, and various types of discounts. These premiums income can vary depending on the turnover and for the sum of purchases made during that period or for certain products within those purchases as of periods.	We have performed the following audit procedures to be responsive to retail sales revenue: - Assessing the appropriateness of the revenue recognition policy of the Company; - Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the below controls; • key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls; and • internal IT controls over the completeness and accuracy of pricing and billing process and the end-to-end reconciliation controls from pricing and billing process to the accounting system. - Testing the integration of IT infrastructure of cashier system and accounting system - Testing the end-to-end reconciliations from data records to the billing systems and to the general ledger - Substantive testing on a sample of non-systematic adjustments which are outside of the normal billing process and therefore carry higher levels of management judgment.

The amount to be accounted for in the income statement as of the reporting date within the scope of at the rate of realization of the transactions agreed with the Company's suppliers.	We have performed the following audit procedures to be responsive to turnover premiums income: - Review of correspondence with suppliers and end-to-end reconciliation checks between the internal IT controls and pricing and billing systems and accounting systems in relation to the completeness and accuracy of pricing and billing for purchases to ensure that turnover premiums income received from suppliers are accounted for in accordance with the terms of the relevant contracts in the correct period and in the correct amount - Controlling the realization of turnover premiums income recognized as accruals in the following period - Testing of current accounts of suppliers in which significant portion of turnover premiums income is obtained, by means of external confirmation -Assessment of all journal entries that the Company has accounted for during the year.

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Financial position – Identification of whether the company's capital is unrequited or not, or whether the capital is running into debt

Refer to Note 2.5 and Note 29 to the financial statements for significant accounting assessments.

The key audit matter	How the matter was addressed in our audit
The Company has certain obligations which has key determinants in relation to going concern regulated by the Turkish Commercial Code ("TCC") numbered 6102. We have identified that the most important assumption used in assessing the going concern of the Company - as the main determinant of the equity position evaluating the Company's brand by taking the brand appraisal report and expected future profitability. The calculations in order to determine the fair value of the Trademark and the calculations supporting the future profitability assessment made by the Company management are based on the estimations of the management's future performance and significant judgements. We identified this issue as a key audit matter because of the significant judgment required in determining the assumptions and estimates used in the calculations.	Our audit procedures to assess financial position included the following: - Evaluation of the significant estimates and assumptions an review of valuation methodology used in the brand appraisal report as included in the special purpose financial statements prepared in accordance with TCC 376 in compliance with CMB decision dated 10 April 2014 and numbered 11/352. - Assessment of the assumptions used by the Company management in estimating future performance and whether the accounting principles used in the preparation of the related special purpose financial statement are appropriate

Other Matter

The financial statements of the Company for the year ended 31 December 2016, were audited by another auditor who expressed an unmodified opinion on those financial statements on 13 February 2017.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 20 February 2018.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2017, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Ruşen Fikret Selamet, SMMM
Partner
20 February 2018
İstanbul, Turkey

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TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

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

		Current period	**Prior period**
		Audited	***Audited***
	Notes	**31 December 2017**	**31 December 2016**
ASSETS			
Current assets		**554.759**	**573.597**
Cash and cash equivalents	*5*	72.703	156.094
Trade receivables	*6*	56.128	50.349
Trade receivables from related parties	*4,6*	*2.610*	*1.701*
Trade receivables from third parties	*6*	*53.518*	*48.648*
Inventories	*8*	418.496	352.687
Prepaid expenses	*9*	5.618	11.077
Other current assets	*16*	1.814	3.390
Non-current assets		**172.049**	**188.721**
Other receivables	*7*	501	556
Investment property	*10*	10.196	10.196
Property, plant and equipment	*11*	84.921	98.744
Intangible assets	*12*	24.184	22.287
Prepaid expenses	*9*	432	577
Deferred tax assets	*23*	51.815	56.361
TOTAL ASSETS		**726.808**	**762.318**

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

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

	Notes	Current period *Audited* 31 December 2017	Prior period *Audited* 31 December 2016
LIABILITIES			
Current liabilities		**763.615**	**819.642**
Trade payables	6	674.944	712.323
Trade payables to related parties	*4,6*	3.296	4.201
Trade payables to third parties	*6*	671.648	708.122
Payables related to employee benefits	*13*	16.877	13.462
Other payables	*7*	1.456	1.198
Other payables to third parties		*1.456*	*1.198*
Deferred revenue	*9*	17.660	23.135
Short-term provisions		22.887	42.311
Short-term provisions for employee benefits	*13*	*10.229*	*7.545*
Other short-term provisions	*14*	*12.658*	*34.766*
Derivative financial instruments	*26*	304	--
Other current liabilities	*16*	29.487	27.213
Non-current liabilities		**6.566**	**4.591**
Long-term provisions for employee benefits	*13*	6.566	4.591
EQUITY		**(43.373)**	**(61.915)**
Share capital	*17*	110.000	110.000
Adjustments to share capital	*17*	6.628	6.628
Restricted reserves	*17*	8.704	8.704
Other reserves		3	3
Other compherensive income or expense items that are or may be reclassified to profit or loss		(237)	--
Cash flow hedge reserves		*(237)*	--
Other comprehensive income or expense items that will not be reclassified to profit or loss		19.341	20.130
Gains on revaluation of property, plant and equipment		*21.908*	*21.908*
Losses on remeasurement of defined benefit plans		*(2.567)*	*(1.778)*
Accumulated losses		(207.380)	(46.767)
Net profit / (loss) for the period		19.568	(160.613)
TOTAL LIABILITES		**726.808**	**762.318**

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	**Current period** **1 January- 31 December 2017**	**Prior period** **1 January- 31 December 2016**
Revenue	*18*	3.397.855	3.074.087
Cost of revenue (-)	*18*	(2.778.833)	(2.573.138)
GROSS PROFIT		**619.022**	**500.949**
Marketing expenses (-)	*19*	(440.775)	(457.092)
General administrative expenses (-)	*19*	(44.483)	(48.212)
Other income from operating activities	*20*	29.354	20.068
Other expenses from operating activities (-)	*20*	(78.005)	(125.981)
RESULTS FROM OPERATING ACTIVITIES		**85.113**	**(110.268)**
Income from investing activities	*21*	336	1.072
Expenses from investing activities (-)	*21*	(794)	(17.075)
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSE		**84.655**	**(126.271)**
Finance expenses (-)	*22*	(60.278)	(66.649)
OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX		**24.377**	**(192.920)**
Tax (expense)/income		**(4.809)**	**32.307**
- Current tax expense		--	--
- Deferred tax (expense)/income	*23*	(4.809)	32.307
PROFIT/(LOSS) FOR THE PERIOD		**19.568**	**(160.613)**
Attributable to:			
Non-controlling interests		--	--
Owners of the Company		19.568	(160.613)
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Items that will not be reclassified to profit or loss		**(789)**	**22.114**
Gains/(losses) on remeasurement of defined benefit plans		(986)	258
Gains on revaluation of property, plant and equipment		--	23.061
Income tax related to items that will not be reclassified to profit or loss		197	(1.205)
Items that are or may be reclassified to profit or loss		**(237)**	**(288)**
(Losses)/gains on cash flow hedges		(304)	(360)
Income tax related to items that are or may be reclassified to profit or loss		67	72
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		**18.542**	**(138.787)**
Earnings/(loss) per share [(For 1 lot share)]	*24*	0,0018	(0,0146)
Diluted earnings /(loss) per share [(For 1 lot share)]	*24*	0,0018	(0,0146)

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

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

					Other comprehensive income that will not be reclassified to profit or loss		**Other comprehensive income that are or may be reclassified to profit or loss**	**Retained earnings/Accumulated losses**		
	Paid in share capital	Adjusments to share capital	Restricted reserves	Other reserves	Gain / (losses) on remeasurement of defined benefit plans	Gains on revaluation of property, plant and equipment	Cash flow hedge reserve	Prior years' profit/ (losses)	Net profit/ (loss) for the period	Total equity
Prior period										
Balance at 1 January 2016	**110.000**	**6.628**	**8.704**	**3**	**(1.984)**	**--**	**288**	**47.456**	**(94.573)**	**76.522**
Transfers	--	--	--	--	--	--	--	(94.573)	94.573	--
Effect of changes in accounting policies (Note 2.2)	--	--	--	--	--	--	--	350	--	350
Total comprehensive income	--	--	--	--	206	21.908	(288)	--	(160.613)	(138.787)
Balance at 31 December 2016	**110.000**	**6.628**	**8.704**	**3**	**(1.778)**	**21.908**	**--**	**(46.767)**	**(160.613)**	**(61.915)**
Current period										
Balance at 1 January 2017	110.000	6.628	8.704	3	(1.778)	21.908	--	(46.767)	(160.613)	(61.915)
Transfers	--	--	--	--	--	--	--	(160.613)	160.613	--
Total comprehensive income	--	--	--	--	(789)	--	(237)	--	19.568	18.542
Balance at 31 December 2017	**110.000**	**6.628**	**8.704**	**3**	**(2.567)**	**21.908**	**(237)**	**(207.380)**	**19.568**	**(43.373)**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	Current period *Audited* 1 January – 31 December 2017	Prior period *Audited* 1 January – 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		19.568	(160.613)
Adjustments:			
Adjustments for financial expenses	*22*	60.278	66.649
Adjustments for depreciation and amortisation expenses	*19*	33.624	36.931
Adjustments for fair value (gains) or losses on derivative financial instruments		(67)	--
Adjustments for impairment of receivables	*6*	1.448	5.107
Adjustments for (reversal of)/provision for other provisions		(4.628)	19.553
Adjustments for (reversal of)/impairment of property, plant and equipment and intangible assets	*11,12*	5.189	2.104
Adjustments for (reversal of)/impairment of inventory	*8*	549	(762)
Adjustments for provision for employee benefits		8.416	5.593
Adjustments for interest expenses	*21*	(336)	(1.072)
Adjustments for tax expense/(income)	*23*	4.809	(32.307)
Adjustments for the (gains)/losses on sale of property, plant and equipment	*21*	794	17.075
		129.644	**(41.742)**
Changes in working capital:			
Decrease/(increase) in trade receivables from third parties		(6.515)	(547)
Decrease in trade receivables from related parties	*4*	(909)	307
Decrease/(increase) in inventories	*8*	(66.358)	128.686
Decrease in other assets related to operations		7.235	23.987
Decrease in trade payables to third parties	*6*	(36.474)	(158.274)
Decrease in trade payables to related parties	*4,6*	(905)	(131)
Change in other liabilities related to operations		(248)	15.305
Payments related to provisions for employee benefits	*13*	(3.757)	(5.012)
Payments related to other provisions	*14*	(17.480)	(12.825)
Cash provided by/(used in) operating activities		**4.233**	**(50.246)**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	*11*	(16.580)	(24.203)
Acquisition of intangible assets	*12*	(11.658)	(9.869)
Proceeds from sale of property, plant and equipment and intangible assets	*10*	556	704
Interest received	*21*	336	1.072
Cash used in investing activities		**(27.346)**	**(32.296)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	*19*	(60.278)	(66.649)
Cash (used in)/provided from financing activities		**(60.278)**	**(66.649)**
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	*5*	**(83.391)**	**(149.191)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	*5*	**156.094**	**305.285**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	*5*	**72.703**	**156.094**

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Teknosa İç ve Dış Ticaret Anonim Şirketi, ("Teknosa" or "the Company") was established on 3 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 main shareholders are Hacı Ömer Sabancı Holding A.Ş. and Sabancı Family members. As at 31 December 2017, number of personnel of the Company is 2.570 (31 December 2016: 2.688). The Company is registered in Turkey and operates under the laws and regulations of Turkish Commercial Code.

In accordance with the resolution of the Board of Directors dated 6 April 2016, the Company merged with Kliksa İç ve Dış Ticaret Anonim Şirketi ("Kliksa") which was 100% subsidiary of the Company in the previous periods through dissolving without liquidation by transferring all of its assets and liabilities fully as at 1 June 2016.

The Company operates in Turkey in 204 stores with 110.346 square meters retail space as at 31 December 2017 (31 December 2016: 122.580 square meters, 210 stores). The registered office address of the Company is as follows:

Barbaros Mahallesi, Mor Sümbül Sok. No:7/3F 1-18 Nida Kule Ataşehir Güney, 34746

Ataşehir – İstanbul

The Company's shares have been traded on Borsa Istanbul since 2012.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

The accompanying financial statements of the Company are prepared in accordance with the Communiqué Serial II, No:14.1 "Communiqué on Financial Reporting Standards in Capital Markets" ("Communiqué") 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 related interpretations which are endorsed by the Public Oversight Accounting and Auditing Standards Authority ("POA") in accordance with the 5th Article of the Communiqué.

The financial statements and its accompanying notes of the Company are presented in compliance with "Announcement on Financial Statements and Disclosure Formats" announced by CMB on 7 June 2013, including its mandatory information.

The Company maintain their accounting records and prepares its statutory financial statements in accordance with regulations and principles issued by CMB, the Turkish Commercial Code (the "TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These financial statements are based on the statutory records, which are maintained under historical cost conversion, except for financial assets and financial liabilities which are carried at fair value, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

(ii) Basis of measurement

The financial statements have been prepared on historical cost basis except for revaluation of land, building, investment properties measured at fair value and derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Contiuned)

(iii) Preparation of financial statements

The accompanying financial statements are prepared in accordance with "Announcement on Financial Statements and Disclosure Formats" of CMB. The financial statements of the Company as at and for the year ended 31 December 2017 have been approved by the Board of Directors on 20 February 2018. The general assembly and the other regulatory bodies have the power to amend the financial statements after their issue.

(iv) Presentation and functional currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial position and the results of the Company's operations have been expressed in Turkish Lira ("TL") which is the functional currency of the Company and which is the presentation currency of the financial statements

(v) Preparation of financial statements in hyperinflationary periods

The CMB, with its resolution dated 17 March 2005 and numbered 11/367, declared that companies operating in Turkey which prepares their financial statements in accordance with the TAS, would not be subject to the application of inflation accounting effective from 1 January 2005. Accordingly, TAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied since 1 January 2005.

(vi) Comparative information and reclassifications of the prior periods' financial statements

The financial statements of the Company have been prepared comparatively with the prior year in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences. The Company made reclassifications on prior period financial statements. The nature and extent of those reclassification are presented as below:

• The Company reclassified loss from disposal of fixed assets amounting to TL 17.075 previously presented under "other expenses from operating activities" to "expenses from investing activities" in its comparative statement of profit or loss and other comprehensive income for year ended 31 December 2016.

• The Company reclassified expenses accruals related to supplier confirmation difference amounting TL 6.100 previously presented under "other short term provisions" to "provision for doubtful receivables" in its comparative statement of financial position as at 31 December 2016.

The related reclassifications have no effect on the net loss for year ended 31 December 2016.

The reclassifications are considered in the preparation of the statement of cash flows for year ended 31 December 2017.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in accounting policies

The accounting policies applied in the financial statements as at and for the year ended 31 December 2017 are the same as those applied in the last annual financial statements as at and for the year ended 31 December 2016.

The Company has started to carry its land and building which are reclassified as investment property at fair value instead of carrying at cost starting from 30 June 2016. According to TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", this accounting change requires restatement of prior periods' financial statements. Since this accounting policy change has not a significant effect on the prior years' financial statements, the Company decided not to restate prior periods' financial statements by considering materiality level for the financial statements

Additionally, the Company has started to carry its land and building which are reclassified as property and equipment at fair value instead of carrying at cost. Initial implementation of revaluation of property, plant and equipment has not been applied retrospectively in accordance with TAS 8 paragraph 17.

2.3 Changes in estimates and error

The preparation of the financial statements in compliance with TAS requires to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Critical judgments and assumptions and estimation uncertainties in applying accounting policies have the significant effect on the amounts recognised in the financial statements.

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods. The Company has no significant changes in the accounting estimates as at and for year ended 31 December 2017 compared to those used in previous year.

2.4 Changes in Turkish Financial Reporting Standards

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however the Company has not early adopted those standards. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 15 Revenue from Contracts with Customers,

As issued in September 2016 by POA, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which companies to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. TFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

According to the Company's assessment of TFRS 15 effects, the Company has performed an initial assessment on these transactions and does not expect that there will be a significant impact on its financial statements resulting from the application of TFRS 15.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in Turkish Financial Reporting Standards (Continued)

TFRS 9 Financial Instruments (2017 version)

TFRS 9 Financial Instruments, has been published by POA in January 2017, replaces the existing guidance in TAS 39 Financial Instruments: Recognition and Measurement. It also carries forward the guidance on recognition, classification, measurement and derecogniton of financial instruments from TAS 39 to TFRS 9. The last version of TFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of TFRS 9. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company has performed an assessment about the possibility of impairment on its post dated receivables due to the application of expected credit loss model for those receivables and does not expect that there will be a significant impact on its financial statements resulting from the application of TFRS 9.

TFRS Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

TFRS Interpretation 22 has been published by POA in December 2017 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This Interpretation is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company does not expect that application of TFRS Interpretation 22 will have significant impact on its financial statements.

TFRS 2 Share-Based Payment

POA has issued amendments to TFRS 2 Share-Based Payment in December 2017to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company does not expect that application of these amendments to TFRS 2 will have impact on its financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in Turkish Financial Reporting Standards (Continued)

TAS 40 – Transfers of Investment Property

Amendments to TAS 40 - Transfers of Investment Property issued by POA in December 2017 have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company does not expect that application of these amendments to TAS 40 will have significant impact on its financial statements.

Improvements to TFRSs

POA has issued Annual Improvements to TFRSs - 2014–2016 Cycle for applicable standards. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

Annual Improvements to TFRSs 2014-2016 Cycle

TFRS 1 "First Time Adoption of International Financial Reporting Standards"

TFRS 1 is amended to removing of the outdated short-term exemptions for first-time adopters within the context of 'Annual Improvements to TFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and investment entities.

TAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with TFRS 9.

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in Turkish Financial Reporting Standards (Continued)

Amendments to TAS 28- Long-term interests in Associates and Joint Ventures

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company does not expect that application of these amendments to TAS 28 will have significant impact on its financial statements.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty Over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in Turkish Financial Reporting Standards (Continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (Continued)

IFRIC 23 –Uncertainty Over Income Tax Treatments (Continued)

The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in Turkish Financial Reporting Standards (Continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

IFRS 17 –Insurance Contracts (Continued)

The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

2.5 Summary of Significant Accounting Policies

The accounting policies applied in preparation of the accompanying financial statements are as follows.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank deposits and credit card receivables (Note 5).

Collection risk due from credit card sales of the Company belongs to the bank. The risk of doubtful trade receivables due and the credit card slip receivables limited within financial condition and the risk of bank. The Company collects the instalments of the its credit card sales according to mutually agreed discount rates with the banks and financial institutaitons on the following day when the sale made within the scope of the credit card sales contracts made under the various banks and financial instutions.

Related parties

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:

controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);

has an interest in the Company that gives it significant influence over the Company; or

has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables that deferred financial income is netted-off and calculated by discounting amounts that will be collected of trade receivables recorded in the original invoice value in the subsequent periods using the effective yield method. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 6).

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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

Inventories and cost of goods sold

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventory are purchase costs and other transportation costs necessary to prepare the asset for its intended use. Cost is determined by the moving weighted average method. Costs related to the shipment of the inventories from main warehouse and the region warehouses to the stores are booked as expense. Net realizable value is the estimated selling price in the ordinary course of business, less the selling expenses (Note 8).

Benefits obtained from suppliers in the normal course of business, such as rebates, stock protection and similar benefits are deducted from the cost of the related inventory item and are associated with cost of goods sold.

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

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

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

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value (Note 10). Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment except for lands and building are measured at cost less accumulated depreciation and impairment losses.

The Company has opted for the option of measuring the land and buildings in the tangible fixed assets by revaluation method. The revalued amount is the fair value at the revaluation date, less accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment except for land are depreciated on a straight-line basis (Note 11). The useful lives for property, plant and equipment are as follows:

	Useful lives (year)
Buildings	50
Vehicles	5
Machinery and equipments	4 – 15
Furniture and fixtures	5 – 10
Leasehold improvements	5 – 10

Useful lives of property and equipment are reviewed at each reporting date and necessary adjustments are applied if necessary.

Intangible assets and amortization

Intangible assets comprise licenses and rights and computer software. Intangible assets are disclosed with their net value which is acquisition cost less accumulated amortization (Note 12). The useful lives of intangible assets are as follows:

	Useful lives (year)
Licences, rights and computer softwareı	3 - 15

Impairment of assets

The Company reviews all assets with indefinite useful lives at each balance sheet date in order to see if there is a sign of impairment on the stated asset. The Company management has identified stores which are operating more than 1 year generates operating profit/ (loss) before income tax except outlets. For the relevant stores, they have made discounted cash flow projections for 10 years. As a result of the study, it has been determined that the Company does not have a provision for the impairment of stores at the end of 2017. If any such indication exists, then the asset's recoverable amount is compared with the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss and other comprehensive income.

Besides, the Company management accounts for provision for the impairment of the tangible assets of the stores, which are expected to be closed down as of the reporting date.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers (Note 6). Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Leases - the Company as the lessee

Operating leases

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

Provisions, contingent assets and liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent cash flows from the sale of technology electronic equipment and air conditioning and white goods sales of the Company.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Company (capital expenditures and financial investments).

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

Cash and cash equivalents comprise cash on hand and demand deposits whose maturities are three months or less from date of acquisition. Any restricted cash and cash equivalents that are not ready for the Company's use as at the reporting date, are excluded from the sum of the cash and cash equivalent in the statement of cash flows.

Borrowings and borrowing cost

Borrowings are recognized initially at the proceeds received; net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Borrowings and borrowing cost (continued)

Borrowing costs arising from the borrowings made by the Company constitute a part of the cost of that asset when borrowing costs can be directly attributable to the acquisition, construction or production of a qualifying asset that necessarily requires a long period of time, and other borrowing costs are expensed are accounted for as income. The cost of the borrowing is included in the cost of the asset when it is incurred and when the period required to bring the asset to its final use is in progress. Capitalization ceases when the asset is substantially complete and ready for its intended use.

Tax

Tax expense comprises current and deferred tax.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The current tax liability also includes tax liabilities arising from dividend distribution notifications. The deduction of current tax assets and liabilities can only be made when certain conditions are met.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Tax (continued)

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

Employee benefits

Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 "Employee Benefits" ("TAS 19").

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 13).

Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 24). In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Foreign currency transactions

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

	31 December 2017	31 December 2016
USD	3,7719	3,5192
Euro	4,5155	3,7099

Revenue recognition

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Revenue recognition (continued)

Gift vouchers sold by the Company to its customers are classified under other current liabilities section as an deferred revenue. Moreover, gift vouchers are recorded as income as they are used by the customers.

The Company also accounts for income for the estimated amount of gift vouchers that are not expected to be used by the customers. Unused gift vouchers are classified under deferred revenue.

Interest income is recorded by using the effective interest

rate. **Warranty expenses and provisions**

Provision for warranty expenses for the air-conditioners for which the warranty liability belongs to the Company is calculated based on statistical information for possible future warranty services. The warranty liability for the consumer electronics retail sales of the Company belongs to the manufacturer or to the importer companies. On the other hand, there is no significant liability of the Company for the extended warranty period.

Business combinations

Business combinations are accounted for by using the acquisition method. The consideration transferred in a business combination includes the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Acquisition related costs are expensed as they are incurred. The identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. If this amount is lower than the market value of the net assets of the subsidiary acquired, the excess amount is recognized directly in the income statement.

Segment reporting

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

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

The Board of Directors and the executive committee monitor the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Tax, Employment Termination Benefits, Depreciation and Amortization ("EBITDA"). This measurement of the operating segments does not consider the effects of nonrecurring income and expenses. Interest income and expenses are not allocated to operating segments since they are monitored by the central treasury department of the Company. EBITDA is not a measure of operating income, operating performance or liquidity under CMB Financial Reporting Standards.

The Company presented EBITDA in the notes to the financial statements besides the requirements of segment reporting since it is used by certain readers in their analyses (Note 3).

Share capital and dividends

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Offsetting

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

Events after the reporting period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information (Note 29).

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Derivative Financial Instruments and Hedge Accounting

The Company started to apply hedge accounting since from November 2015. The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company 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 Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy.

Derivative financial instruments are not used as speculative purposes. 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 and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The Company's policy to hedge foreign currency risk associated with a binding commitment classifies the related risk as cash flow hedge. When the hedge transaction does not result in the recognition of an asset or a liability, the amounts in equity are recognized in the statement of profit or loss when the hedged item affects the statement of profit or loss. The changes in the fair value of derivatives that do not qualify as cash flow hedge are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, or when it no longer qualifies for hedge accounting. The cumulative gain or loss related with hedge instrument accounted under equity as of such date is continued to be recognized under equity until the expected realization date of the transaction. When the hedge transaction is no longer expected to occur, the net accumulated gain or loss in equity is recognized in profit or loss of the period.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Critical judgments in applying the Company's accounting policies

The Company management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Useful lives of property and equipment and intangible assets

Items of property and equipment and intangible assets except for land and buildings are measured at cost less accumulated depreciation and impairment losses, if any. Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment of property, plant and equipment and intangible assets

The Company assesses at each reporting date to determine whether there is any indication of impairment. If the stores which are operating more than 1 year generates operating profit/ (loss) before income tax lower than the planned performance result, this situation is assessed as an objective evidence for impairment. If any such indication exists, then the asset's recoverable amount is compared with the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If the carrying amount of an asset or any cash generating unit that the asset belongs to is higher than its net realizable value, the value of the asset has impaired. Additionally, the Company recognises allowance for impairment for the tangible assets of the stores for which the Company management has expected to close down. The allowance for impairment is calculated with rates applied on the net carrying amount as at the reporting date. The applied rate is 100% for the leasehold improvements and 50% for the equipment. The Company recognised allowance on property, plant and equipment amounting to TL 8.199 as at 31 December 2017 (31 December 2016: TL 3.010).

Allowance on inventories

In accordance with the accounting policy, inventories are stated at the net realisable value ("NRV"). The Company measures the products with selling prices lower than its cost at lower of cost or NRV. NRV, is the value after deducting the estimated expenditures to be made to bring the stocks at sale at the estimated selling price.

The Company makes aging analysis for its inventories based on certain date ranges from the acquisition date. Impairment is calculated for the old stock over 180 days with different rates applied for each date range based on the aging analysis as at reporting date. The Company recognised allowance on inventories amounting to TL 17.312 as at 31 December 2017 (31 December 2016: TL 16.763). (Note 8)

Deferred tax assets

The Company recognises deferred tax asset or liability in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes in accordance with TAS and the amounts used for taxation purposes. The Company has deferred tax assets arising from carried forward tax losses and other temporary differences deductible from its potential future profits. The Company management estimates the amount of deferred tax assets which is fully and partially recoverable based on the current circumstances and available information. During the assessment, projections of future taxable income, current year and carried forward losses, potential expiration dates for utilisation of tax losses and other tax assets, and tax planning strategies are considered.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

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

Restructuring provisions

The Company recognised provisions in its financial statements for the year ended 31 December 2016 in accordance with the decisions taken in scope of the reorganisation strategy. These provisions are mainly comprised of the provisions for the penalty payments as a result of cancellation of rent agreements and labour related ongoing law suits. Terms of the rent agreements, opinions of the legal counsellor and management expectations are considered to recognise the provisions. The Company agreed on the penalty payments with the landlords based on the negotiations held for the year ended 31 December 2017 and paid the penalties with a discount during the period. Provision for cancellation of rent agreements are released after deducting the payments realised during the current period and remaining amount is recognised in other income from operating activities in the financial statements. As at 31 December 2017, the Company recognised a penalty payment provision going to be paid to lessor due to early termination of a rent contract for store planned to close in 2018.

Accounting of gift checks

The Company recognises income from the gift checks by estimating the portion which will not be used by the customers based on the historic data. As at 31 December 2017, the amount offset from the deferred revenue from the gift checks recognised in the financial statement is amounting to TL 4.463 (31 December 2016: TL 4.014)

Compliance with the financial requirements

The Company recognised net profit amounting to TL 19.568 for the year ended 31 December 2017. As at 31 December 2017, accumulated losses are amounting to TL 207.380. As at 31 December 2017, negative equity of the Company which includes the prior years' losses is amounting to TL 43.373.

In 2016 the Company management closed the nonperforming stores considering the future profitability factors, and have further taken necessary actions to reduce the rent expenses in the stores and the operational costs in the headquarter, manage clerance of its inventories to reduce the cost of inventories. The Company recognised the expenses and provisions related to these actions taken in its financial statements. As a result of the actions taken, the Company started to generate performance results which improve the negative equity status.

In addition to this, the Company made an announcement on Public Disclosure Platform on 20 February 2018 in accordance with the CMB's principal decision numbered 11/352 as detailed below:

"The Company issued its financial statements which are prepared in accordance with the CMB regulations as at 31 December 2017. The Company's equity in these financial statements amounting to full TL (-) 43.373.000 and the brand value which is the off-balance sheet asset of the Company amounting to full TL 315.159.000 are considered in accordance with the CMB's principal decision numbered 2014/11. However, there is no change in the negative equity status of the Company in these financial statements which are prepared in accordance with above mentioned the CMB regulations. As a result, statement of financial position is prepared in accordance with the related article of TCC 376 based on the CMB's principal decision numbered 2014/11

The brand value is included in the statement of financial position prepared in accordance with the related article of TCC 376. Equity of this statement in the financial position prepared in accordance with the related article of TCC 376 is amounting to full TL (+) 319.376.359 This indicates that the Company maintains its share capital amounting to full TL 110.000.000."

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

NOTE 3 – SEGMENT REPORTING

The Company applies TFRS 8 starting from 1 January 2009 and determined the reportable segments based on the internal management reports which are regularly reviewed by the decision maker.

In order to take the decisions about the allocation of resources to the operating segments and evaluate the performance of these segments, the decision maker reviews the results and the operations by sales channel. The Company's sales channel are as follows: Electronics retail sales, and sales of air conditions and white goods through dealers. These sales are also reviewed as stores and dealers (İklimsa). In addition, assets and liabilities are not included in the segment reporting, since they are not regularly presented to the decision maker and are not reviewed in as a part of segment reporting.

Details of the segment reporting according to the internal management reports are as follows:

	1 January – 31 December 2017		
	Retail stores	**Dealer group**	**Total**
Total segment income	3.157.552	240.303	3.397.855
Income from third party customers	**3.157.552**	**240.303**	**3.397.855**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**140.789**	**30.531**	**171.320**

	1 January – 31 December 2016		
	Retail stores	**Dealer group**	**Total**
Total segment income	2.903.661	170.426	3.074.087
Income from third party customers	**2.903.661**	**170.426**	**3.074.087**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**20.117**	**18.175**	**38.292**

	1 January – 31 December 2017	**1 January – 31 December 2016**
Reconciliation of EBITDA with profit before taxes:	**171.320**	**38.292**
Depreciation and amortisation expenses	(33.624)	(36.931)
Finance expenses	(60.278)	(66.649)
Income/(expenses) from investing activities	(458)	(16.003)
Other expenses from operating activities- net	(48.651)	(105.913)
Provision for employee termination benefits	(3.932)	(5.716)
Profit/(loss) before tax	**24.377**	**(192.920)**

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

NOTE 4 – RELATED PARTY DISCLOSURES

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

	31 December 2017	
	Receivables	**Payables**
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	1.146	--
Avivasa Emeklilik ve Hayat A.Ş.	653	1
Akbank T.A.Ş.	402	--
Hacı Ömer Sabancı Holding A.Ş.	158	--
Brisa Bridgestone Sabancı Lastık San.Ve Tic.A.Ş.	95	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	66	31
Akçansa Çimento San. ve Tic. A.Ş.	55	--
Aksigorta A.Ş.	20	140
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	11	3.123
Çimsa Çimento San. ve Tic. A.Ş.	4	--
Temsa Global Sanayi ve Ticaret A.Ş.	--	1
	2.610	**3.296**

	31 December 2016	
	Receivables	**Receivables**
	Current	Current
Balances with related parties	Trading	Trading
Akbank T.A.Ş.	556	--
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	430	65
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	398	3.730
Hacı Ömer Sabancı Holding A.Ş.	152	4
Temsa Global Sanayi ve Ticaret A.Ş.	73	--
Akçansa Çimento San. ve Tic. A.Ş.	27	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	24	--
Avivasa Emeklilik ve Hayat A.Ş.	16	--
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	16	--
Philip Morris Sabancı Pazarlama Satış A.Ş.	9	--
Enerjisa Enerji A.Ş. ve bağlı ortaklıkları	--	288
Aksigorta A.Ş.	--	114
	1.701	**4.201**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Deposit accounts in Akbank T.A.Ş.	31 December 2017	31 December 2016
Demand deposit	10.702	10.377
Time deposit	--	4.000
	10.702	**14.377**

Credit card receivables in Akbank T.A.Ş.	31 December 2017	31 December 2016
Credit card receivables	3.989	3.301
	3.989	**3.301**

	1 January – 31 December 2017		
Transactions with related parties	**Sale of goods**	**Rent expense**	**Other expenses**
Akbank T.A.Ş.	14.808	--	--
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1.447	4.814	156
Aksigorta A.Ş.	384	--	1.607
Avivasa Emeklilik ve Hayat A.Ş.	185	--	--
Akçansa Çimento San. ve Tic. A.Ş.	163	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	111	--	4.133
Çimsa Çimento San.ve Tic.A.Ş.	48	--	--
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	15	--	--
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	13	--	3.356
H.Ö. Sabancı Holding A.Ş.	6	--	31
Philip Morris Sabancı Pazarlama Satış A.Ş.	3	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	123	--	--
	17.306	**4.814**	**9.283**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	1 January – 31 December 2016		
Transactions with related parties	**Sale of goods**	**Rent expense**	**Other expenses**
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	2.732	4.601	953
Akbank T.A.Ş.	2.096	--	--
Avivasa Emeklilik ve Hayat A.Ş.	480	--	1.047
Çimsa Çimento Sanayi ve Ticaret A.Ş.	256	--	--
Akçansa Çimento San. ve Tic. A.Ş.	179	--	--
Temsa Global Sanayi ve Tic. A.Ş.	176	--	--
Bimsa Uluslararası İş Bilgi ve Yönetim Sis.A.Ş.	158	--	9.401
H.Ö. Sabancı Holding A.Ş.	133	10	29
Philip Morris Sabancı Pazarlama Satış A.Ş.	116	--	--
Aksigorta A.Ş.	86	--	2.891
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	54	--	--
Kordsa Global Endüstriyel İplik ve Kord.Bezi San.	18	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	6	--	4.634
	6.490	**4.611**	**18.955**

The Company's key management has been identified as the general manager and assistant general managers. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the years ended are as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Salaries and other benefits	4.967	5.579
	4.967	**5.579**

NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Cash	6.082	3.074
Demand deposit	33.543	18.783
Time deposit	9.757	117.235
Credit card slip receivables	23.321	17.002
	72.703	**156.094**

As at 31 December 2017, average effective interest rate on TL denominated time deposits is 13,4%. As at 31 December 2016, average effective interest rate on TL denominated time deposits is 11%. As at 31 December 2017, maturity of time deposits is 4 day (31 December 2016: 4 day).

The Company does not have any blocked deposits as at 31 December 2017 and 2016.

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as at 31 December 2017 and 2016 are as follows:

Short term trade receivables

	31 December 2017	31 December 2016
Trade receivables	52.930	45.442
Notes receivables	13.010	14.180
Due from related parties (Note 4)	2.610	1.701
Allowance for doubtful receivables (-)	(12.422)	(10.974)
	56.128	**50.349**

The average maturity of the Company's trade receivables is 1-7 days for retail receivables and 50 days for dealer groups. (31 December 2016: For retail: 1-7 days, 59 days for dealer receivables). As of 31 December 2017, the Company does not apply overdue interest on trade receivables. (31 December 2016: None).

The Company's exposure to credit and foreign currency risk and impairment for trade receivables are disclosed in Note 27.

The movement of the allowance for doubtful receivables for the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
As at 1 January	10.974	5.867
Charge for the period	1.452	7.159
Reversals	(4)	(2.052)
	12.422	**10.974**

As of 31 December , the Company obtained the collaterals listed below for the checks, notes and trade receivables:

	31 December 2017	31 December 2016
Letters of guarantees received	49.730	14.200
Mortgages	14.892	2.785
	64.622	**16.985**

Fair value of the collaterals which the Company is permitted to sell or repledge without the default by the owner of the collateral is TL 64.622 (31 December 2016: TL 16.985). As at the reporting date, there are not any collaterals or mortgages which are sold or re-pledged by the Company.

Short term trade payables:

	31 December 2017	31 December 2016
Trade payables	669.731	705.483
Due to related parties (Note 4)	3.296	4.201
Expense accruals	1.917	2.639
	674.944	**712.323**

As at 31 December 2017, the Company offset income accruals from its suppliers amounting to TL 24.015 with trade payables (31 December 2016: TL 10.814). Average payment terms of trade payables is 82 days (31 December 2016: 80 days). The Company does not have payments on a monthly basis for late interest as of 31 December 2017. (31 December 2016: None.)

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

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

The details of other receivables and other payables as at 31 December 2017 and 2016 are as follows:

Other receivables:

	31 December 2017	31 December 2016
Deposits and guarantees given	501	556
	501	**556**

Other payables:

	31 December 2017	31 December 2016
Deposits and guarantees received	1.456	1.198
	1.456	**1.198**

NOTE 8 - INVENTORIES

The details of the inventories as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Trading goods	434.724	368.380
Goods in transit	1.084	1.070
Allowance for impairment on inventories (-)	(17.312)	(16.763)
	418.496	**352.687**

The movements of allowance for inventories for the year ended at 31 December 2017 and 2016 are as below:

Allowance for inventories:	**2017**	**2016**
As at 1 January	(16.763)	(17.525)
Change of the period	(10.335)	(3.702)
Current year reversal	9.786	4.464
As at 31 December	**(17.312)**	**(16.763)**

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of prepaid expenses as at 31 December 2017 and 2016 are as follows:

Short-term prepaid expenses	**31 December 2017**	**31 December 2016**
Advances given for inventories	916	6.676
Short term prepaid expenses	4.702	4.401
	5.618	**11.077**

Long-term prepaid expenses	**31 December 2017**	**31 December 2016**
Long term prepaid expenses	432	577
	432	**577**

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

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

The details of the deferred revenue as at 31 December 2017 and 2016 are as follows:

Short-term deferred revenue	31 December 2017	31 December 2016
Income from gift checks	9.222	16.724
Advances received	8.341	5.573
Other	97	838
	17.660	**23.135**

NOTE 10 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation for the year ended 31 December 2017 and 2016 are as follows:

Cost	**Land**	**Buildings**	**Total**
Balance at 1 January 2017	6.529	4.791	11.320
Balance at 31 December 2017	**6.529**	**4.791**	**11.320**
Accumulated depreciation			
Balance at 1 January 2017	--	(1.124)	(1.124)
Charge for the period	--	--	--
Balance at 31 December 2017	**--**	**(1.124)**	**(1.124)**
Net carrying amount as at 1 January 2017	**6.529**	**3.667**	**10.196**
Net carrying amount as at 31 December 2017	**6.529**	**3.667**	**10.196**

Cost	**Land**	**Buildings**	**Total**
Balance at 1 January 2016	2.775	8.811	11.586
Revaluation surplus	3.754	--	3.754
Impairment(*)	--	(4.020)	(4.020)
Balance at 31 December 2016	**6.529**	**4.791**	**11.320**
Accumulated depreciation			
Balance at 1 January 2017	--	(1.029)	(1.029)
Charge for the period	--	(95)	(95)
Balance at 31 December 2016	**--**	**(1.124)**	**(1.124)**
Net carrying amount as at 1 January 2016	**2.775**	**7.782**	**10.557**
Net carrying amount as at 31 December 2016	**6.529**	**3.667**	**10.196**

There is no amortization charge as of 31 December 2017. As of 31 December 2016 , TL 95 of amortization expense is included in marketing expenses.

The Company generates rental income by TL 408 (2016: TL 450) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 709 (2016: TL 717). Operating expenses which are not related to the Teknosa store are distributed to lessees.

Land and buildings which are recognised as property, plant and equipment and investment property were revalued by an independent appraisal firm named TADEM Taşınmaz Değerleme Müşavirlik A.Ş. ("TADEM") on 18 May 2016.

NOTE 10 – INVESTMENT PROPERTY (Continued)

The appraisal firm is an accredited independent firm licensed by CMB, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. The fair value of the land was determined based on the market comparable approach that reflects the recent transaction prices for similar properties. The fair value of the buildings determined based on the highest and best of the current value in use.

(*) Revaluation gain and loss on land and buildings which are classified in investment property amounting to TL 3.754 (gain) and TL 4.020 (loss) are recognised in prior years' losses (Note 2.2), respectively. Fair value of related land and buildings is level 2.

As of 31 December 2017, there is no indication of impairment related to the fair value of the land and building as of 31 December 2016.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2017 are as follows:

Cost	**Land**	**Building**	**Machinery and equipment**	**Vehicles**	**Furniture and fixtures**	**Leasehold improvements**	**Construction in progress**	**Total**
Balance at 1 January 2017	**26.505**	**6.323**	**339**	**57**	**83.537**	**97.844**	**341**	**214.946**
Additions	--	40	--	--	4.744	7.214	4.582	16.580
Disposals	--	--	(1)	(1)	(5.971)	(3.234)	(432)	(9.639)
Transfers from construction in progress (*)	--	--	31	1	(1.384)	2.304	(3.341)	(2.389)
Balance at 31 December 2017	**26.505**	**6.363**	**369**	**57**	**80.926**	**104.128**	**1.150**	**219.498**
Accumulated depreciation and impairment losses								
Balance at 1 January 2017	**--**	**(3.779)**	**(285)**	**(39)**	**(56.693)**	**(55.406)**	**--**	**(116.202)**
Change for the period	--	(56)	(38)	(7)	(9.763)	(11.045)	--	(20.909)
Disposals	--	--	--	1	5.602	2.686	--	8.289
(Allowance for) / reversal of impairment, net (**)	--	--	--	--	277	(5.466)	--	(5.189)
Transfers (*)	--	--	(29)	(1)	2.211	(2.747)	--	(566)
Balance at 31 December 2017	**--**	**(3.835)**	**(352)**	**(46)**	**(58.366)**	**(71.978)**	**--**	**(134.577)**
Net carrying amount at 1 January 2017	**26.505**	**2.544**	**54**	**18**	**26.844**	**42.438**	**341**	**98.744**
Net carrying amount at 31 December 2017	**26.505**	**2.528**	**17**	**11**	**22.560**	**32.150**	**1.150**	**84.921**

(*) As at 31 December 2017, the Company made an analyze of the classification of tangible and intangible assets and considered the changes as transfers between accounts.

(**) As of 31 December 2017, the impairment loss calculated for property, plant and equipment is TL 6.124 (2016: TL 3.232) Amount of impairment reversed during the period is TL 934 (2016: TL 1.095). Included in marketing expenses of TL 11.053 (2016: TL 12.897) and general administrative expenses of TL 9.856 (2016: TL 10.986) are amortization charges.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2016 are as follows:

Cost	Land	Building	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2016	**3.444**	**6.323**	**359**	**66**	**85.363**	**123.722**	**3.011**	**222.288**
Additions	--	--	--	--	4.299	8.370	11.534	24.203
Disposals	--	--	(20)	(9)	(12.122)	(38.939)	--	(51.090)
Revaluation fund(*)	23.061	--	--	--	--	--	--	23.061
Transfers from construction in progress (***)	--	--	--	--	5.997	4.691	(14.204)	(3.516)
Balance at 31 December 2016	**26.505**	**6.323**	**339**	**57**	**83.537**	**97.844**	**341**	**214.946**
Accumulated depreciation and impairment losses								
Balance at 1 January 2016	**--**	**(810)**	**(265)**	**(38)**	**(55.926)**	**(66.489)**	**--**	**(123.528)**
Charge for the period	--	(79)	(40)	(8)	(10.392)	(13.364)	--	(23.883)
Disposals	--	--	20	7	9.967	23.352	--	33.346
Impairments (*)	--	(2.890)	--	--	--	--	--	(2.890)
(Provision for) / reversal of impairment, net (**)	--	--	--	--	(342)	1.095	--	753
Closing balance at 31 December 2016	**--**	**(3.779)**	**(285)**	**(39)**	**(56.693)**	**(55.406)**	**--**	**(116.202)**
Net book value at 31 December 2016	**26.505**	**2.544**	**54**	**18**	**26.844**	**42.438**	**341**	**98.744**

(*)The Company's freehold land and building are stated at their revalued amounts, being the fair value at the dale of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and building as at 18 May 2016 were performed by Taşınmaz Değerleme Müşavirlik A.Ş. ("Tadem"), independent valuers not related to the Company. Tadem has been authorized by and a member of CMB, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. Gains on revaluation of land used by the Company amounting TL 23.061 has been accounted under gains on revaluation and remeasurement account under equity whereas loss from revaluation of building used by the Company amounting TL 2.890 has been accounted under statement of profit or loss. Revaluation gain and loss for investment property part of the relevant land and building amounting TL 3.754 (gain) and TL 4.020 (loss) respectively has been accounted under retained earnings (Note 10 and 2.2). Fair value of the related land and building is level 2.

(***) The investment amounting to TL 3.516 as of 31 December 2016 is made for intangible assets.

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

NOTE 12 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated depreciation for the year ended 31 December 2017 and 2016 are as follows:

Cost	**Licences-rights and computer softwares**	**Total**
Balance at 1 January 2017	**77.583**	**77.583**
Additions	11.658	11.658
Disposals	(35)	(35)
Transfers (Note 11) (*)	(429)	(429)
Balance at 31 December 2017	**88.777**	**88.777**
Accumulated amortisation and impairment losses		
Balance at 1 January 2017	**(55.296)**	**(55.296)**
Charge for the period	(12.715)	(12.715)
Disposals	35	35
Transfers (*)	3.383	3.383
Balance at 31 December 2017	**(64.593)**	**(64.593)**
Net book value as at 1 January 2017	**22.287**	**22.287**
Net book value as at 31 December 2017	**24.184**	**24.184**

(*) As at 31 December 2017, the Company made an analyze of the classification of tangible and intangible assets and considered the changes as transfers between accounts.

Cost	**Licences-rights and computer softwares**	**Total**
Balance at 1 January 2016	**67.087**	**67.087**
Additions	9.869	9.869
Disposals	(2.889)	(2.889)
Transfers from construction in progress (Note 11)	3.516	3.516
Balance at 31 December 2016	**77.583**	**77.583**
Accumulated amortisation and impairment losses		
Balance at 1 January 2016	**(45.230)**	**(45.230)**
Charge for the period	(12.953)	(12.953)
Disposals	2.854	2.854
(Provision for)/ reversal of impairment	33	33
Balance at 31 December 2016	**(55.296)**	**(55.296)**
Net book value as at 1 January 2016	**21.857**	**21.857**
Net book value as at 31 December 2016	**22.287**	**22.287**

Amortisation expenses amounting to TL 8.635 (2016: TL 10.242) are included in marketing expenses and TL 4.080 (2016: TL 2.901) are included in general administrative expenses.

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

NOTE 13– PAYABLES RELATED TO EMPLOYEE BENEFITS AND PROVISINS FOR EMPLOYEE BENEFITS

The details of payables related to employee benefits as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Social security premiums payable	7.527	5.574
Accrued salaries	7.324	6.295
Income taxes payable	2.026	1.593
	16.877	**13.462**

The details of the provisions for employee benefits as at 31 December 2017 and 31 December 2016 are as follows:

Short-term provisions	31 December 2017	31 December 2016
Provision for sales personnel premium	5.107	3.310
Provision for unused vacation	2.572	2.268
Provision for other premium	2.550	1.818
Restructuring provisions(*)	--	149
	10.229	**7.545**

(*) The Board of Directors of the Company has performed a general evaluation of the operations in December 2015 and resolved to authorize the Company management to assess the organizational structure of the headquarter, warehouses and stores in light of the expected macroeconomic indicators for 2016 and the Company's strategic and commercial targets. In this direction, the Company resolved to switch its usual organizational structure to a more efficient central supporting office and saving expenditures related to central office, center of logistics and stores, and assessing the strategy of Kliksa A.Ş. which was the 100% subsidiary of the Company in the previous periods for the aim of improving its financial performance. The Company provided provision for anticipated expenses in financial statements as of 31 December 2015 and reversed realized portions in 2016.

Long-term provisions	31 December 2017	31 December 2016
Provision for employee termination benefit	5.694	4.533
Provision for other premium	872	58
	6.566	**4.591**

Provisions for employment benefits

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

Retirement pay liability is not subject to any kind of funding legally. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

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

NOTE 13– PAYABLES RELATED TO EMPLOYEE BENEFITS AND PROVISINS FOR EMPLOYEE BENEFITS (Continued)

Long-term provisions (continued)

Provisions for employment benefits (continued)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Due to the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4,23 % real discount rate (31 December 2016: 3.76%) calculated by using 6,50% annual inflation rate and 11,00% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel for 0-15 years are taken into consideration as 20,00 % and 12,53%, respectively (31 December 2016: 27.92% and 17.59%), and 0% for employees working for 16 years and over. Ceiling for retirement pay is revised semi-annually. Probability has been determined as 100% for employees whose insurance register began before September 1999 (142 personnel) and the provision has been calculated accordingly.

Ceiling amount of TL 5.001,76 which is effective since 1 January 2018 is used in the calculation of Company's provision for retirement pay liability (2016: TL 4.426,16).

The movement of employment termination benefit provision for the year ended 31 December 2017 and 2016 are as follows:

	31 Aralık 2017	31 Aralık 2016
Opening balance, 1 January	4.533	4.087
Service cost	453	5.562
Interest cost	3.479	154
Actuarial (gain) / loss	986	(258)
Paid compansation during the year	(3.757)	(5.012)
	5.694	**4.533**

NOTE 14 – PROVISIONS

The details of the other short term provisions as at 31 December 2017 and 2016 are as follows:

	31 Aralık 2017	31 Aralık 2016
Provisions for ongoing litigation (*)	10.208	9.152
Provision for cancellation of rent agreements (**)	2.313	12.071
Provision for administrative fine of Competition Authority (***)	--	13.519
Other	137	24
	12.658	**34.766**

(*) Provision for ongoing litigation is comprised of lawsuits filed by consumers and former employees against the Company.

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

NOTE 14 – PROVISIONS (Continued)

(**) Provision for cancellation of rent agreements is comprised of penalties to be paid to landlords related to store closures before the termination date of the rent agreements. For the year ended 31 December 2017, the Company paid the penalties with a discount as a result of the negotiations with the landlords. The provision for cancellation of rent agreements recognised as at 31 December 2016 were released and income amounting to TL 7.043 is recognised as other income from operating activities in the accompanying financial statements (Note 20).

(***)The Competition Authority decided to start an investigation by the resolution numbered 15-08/108 and dated 19 February 2015 against the Company and other companies mentioned in the resolution requesting their defence in order to detect if the Act no. 4054 is violated or not. By the resolution numbered 15-28/319-M and dated 7 July 2015, the investigation was extended as consumer electronics and was merged with the former investigation. The Company submitted its written defence for this investigation. Verbal defence was also provided on 25 October 2016. Similarly, by the resolution numbered 15-28/319-M and dated 7 July 2015 Kliksa which was the 100% owned subsidiary of the Company in the previous periods was included to the investigation and the Company submitted the written defence for this investigation on behalf of Kliksa. The final decision of the Competition Authority was published on its official web site for these two investigations on 11 November 2016. In accordance with the decision, the Competition Authority claimed administrative fine by TL 18.026 to Teknosa and Kliksa. Actual settlement was declared by the Competition Authority to the Company on 8 March 2017. The Company paid 3/4 of this administrative fine amounting to TL 13.519 by using the early payment discount with a payment objection notice on 6 April 2017. The Company initiated a legal action against the Competition Authority on 5 May 2017 in the 10th Administrative Court of Ankara with the request of their relevant payment with legal interest. As of reporting date, legal process is ongoing.

The movement of provisions for ongoing litigation and cancellation of rent agreements for the year ended 31 December 2017 and 2016 are as follows:

	1 January 2017	**1 January-31 December 2017 addition**	**1 January-31 December 2017 paid/reversal provisions**	**31 December 2017**
Provision for cancellation of rent agreements	12.071	753	(10.511)	2.313
Provisions for ongoing litigation	9.152	1.549	(493)	10.208
Reemployment	*3.868*	*1.419*	--	*5.287*
Consumer lawsuits	*1.984*	--	*(493)*	*1.491*
Provisions for rent lawsuit	*3.300*	*130*	--	*3.430*
	21.223	**2.302**	**(11.004)**	**12.521**

	1 January 2016	**1 January-31 December 2016 addition**	**1 January-31 December 2016 paid/reversal provisions**	**31 December 2016**
Provision for cancellation of rent agreements	--	28.988	(16.917)	12.071
Provisions for ongoing litigation	1.520	17.059	(9.427)	9.152
Reemployment lawsuits	*519*	*11.775*	*(8.426)*	*3.868*
Consumer lawsuits	*1.001*	*1.984*	*(1.001)*	*1.984*
Provisions for rent lawsuit	--	*3.300*	--	*3.300*
	1.520	**46.047**	**(26.344)**	**21.223**

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

NOTE 15 – COMMITMENTS

Operating lease agreements

The Company leases various sales areas, offices and warehouses by operating lease agreements. Rental periods of the rent agreements vary between 1-10 years. The lease agreements require a payment of a certain monthly rent or a portion of the revenue of the store. The lease agreements are mainly denominated in TL, Euro and USD and the rent amounts are increased by the inflation rate or a rate close to the inflation rate during the rental period. According to the current 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 lease payments related to non-cancellable operating lease agreements are as follows:

	31 December 2017	31 December 2016
Less than 1 year	160.020	145.871
Between 1-5 years	466.664	428.893
More than 5 years	136.123	124.535
	762.807	**699.299**

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages ("CPM") given by the Company as at 31 December 2017 and 2016 are as follows:

CPMs given by the Company	**31 December 2017**			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**109.388**	**7.652**	**4.894**	**58.427**
- Collaterals	94.496	7.652	4.894	43.535
- Pledges				
- Mortgages	14.892	--	--	14.892
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	--	--	--	--
D. Total amount of other CPM	--	--	--	--
Total CPM	**109.388**	**7.652**	**4.894**	**58.427**

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

NOTE 15 – COMMITMENTS (Continued)

Collateral, pledge, mortgage position (continued)

CPMs given by the Company	**31 December 2016**			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**63.205**	**8.022**	**5.117**	**15.990**
- Collaterals	63.205	8.022	5.117	15.990
- Pledges	--	--	--	--
- Mortgages	--	--	--	--
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	--	--	--	--
D. Total amount of other CPM	--	--	--	--
Total CPM	**63.205**	**8.022**	**5.117**	**15.990**

The ratio of other CPM given on behalf of third parties except for the CPM given on behalf of the Company's own legal personality to total equity is 0% as at 31 December 2017 (31 December 2016: 0%).

As at 31 December 2017 and 31 December 2016, the Company is contingently liable in respect of bank letter of guarantees obtained from banks mainly given to lessors in accordance with the lease agreements, enforcement office related to ongoing lawsuits and custom related to import transactions.

NOTE 16 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current and non-current assets as at 31 December 2017 and 2016 are as follows:

Other current assets	**31 December 2017**	**31 December 2016**
Advances given	1.438	3.251
Personnel advances	274	102
Other current assets	102	37
	1.814	**3.390**

Other current liabilities	**31 December 2017**	**31 December 2016**
Value added tax ("VAT") payable	21.452	18.222
Other expense accruals (*)	7.605	8.539
Other liabilities and obligations	430	452
	29.487	**27.213**

(*) Other expense accruals comprised of irrecoverable gift checks which were given and used Teknosacell subscription who withdraw subscription subsequently and other various expense accruals.

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

NOTE 17 – SHAREHOLDERS' EQUITY

The Company's approved and the issued share capital consists of 11.000.000.000 shares of 1 Kr nominal value.

The details of the shareholder's equity structure as at 31 December 2017 and 2016 are as follows:

	31 December 2017		31 December 2016	
	Share	**%**	**Share**	**%**
Hacı Ömer Sabancı Holding A.Ş.	66.310	60.28228	66.310	60.28228
Dilek Sabancı	5.735	5.21327	5.735	5.21327
Sevil Sabancı	5.735	5.21327	5.735	5.21327
Other	32.220	29.29118	32.220	29.29118
Nominal share capital	**110.000**	**100**	**110.000**	**100**
Adjustment for capital	6.628		6.628	
Adjusted capital	**116.628**		**116.628**	

Restricted reserves

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

Legal reserves as mentioned above shall be classified as "Restricted Reserves Appropriated from Profit" according to Capital Markets Board financial reporting standards. The details of legal reserves are stated below as of 31 December 2017 and 2016:

	31 December 2017	31 December 2016
Legal reserves	8.704	8.704
	8.704	**8.704**

Profit Distribution

Public companies distribute profit in accordance with Profit Share Communique no 11-19.1 issued by CMB effective from 1 February 2014.

Companies distribute their profit due to profit distribution policies set by the general assembly in accordance with the related legislation verdicts with a general assembly minute. Within the extent of the communique mentioned above a minimal distribution rate is not designated. Companies distribute their profits in accordance with their main agreements of profit distribution policies.

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

NOTE 18 - REVENUE

The details of revenue and cost of revenue for the year ended 31 December 2017 and 2016 are as follows:

Revenue (net)	**1 January – 31 December 2017**	**1 January – 31 December 2016**
Retail sales	3.157.552	2.903.661
Dealer sales	240.303	170.426
	3.397.855	**3.074.087**

Cost of revenue	**1 January – 31 December 2017**	**1 January – 31 December 2016**
Cost of trading goods sold	(2.764.882)	(2.562.289)
Installation and warranty expenses	(13.951)	(10.849)
	(2.778.833)	**(2.573.138)**

NOTE 19 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for the year ended 31 December 2017 and 2016 are as follows:

Marketing expenses	**1 January – 31 December 2017**	**1 January – 31 December 2016**
Rent expenses	(156.156)	(164.012)
Personnel expenses	(149.413)	(148.280)
Advertising and promotion expenses	(57.074)	(55.086)
Transportation expenses	(21.475)	(23.147)
Depreciation and amortisation expenses	(19.688)	(23.139)
Energy, fuel and water expenses	(10.532)	(13.456)
Consultancy expenses	(6.593)	(7.364)
Maintenance and cleaning expenses	(5.924)	(8.377)
Communication expenses	(1.330)	(1.104)
Travel and accommodation expenses	(1.213)	(1.270)
Other expenses	(11.377)	(11.857)
	(440.775)	**(457.092)**

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

NOTE 19 – MARKETING AND ADMINISTRATIVE EXPENSES (Continued)

The details of administrative expenses for the year ended 31 December 2017 and 2016 are as follows:

General administrative expenses	**1 January – 31 December 2017**	**1 January – 31 December 2016**
Personnel expenses	(15.767)	(13.455)
Depreciation and amortisation expenses	(13.936)	(13.792)
IT expenses	(6.212)	(9.804)
Consultancy expenses	(2.745)	(3.414)
Rent expenses	(1.486)	(3.414)
Allowance for doubtful receivables	(1.452)	(1.059)
Maintenance expenses	(441)	(454)
Travel expenses	(435)	(443)
Energy, fuel, water expenses	(207)	(493)
Other expenses	(1.802)	(1.884)
	(44.483)	**(48.212)**

NOTE 20 – OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

The details of other income from operating activities for the year ended 31 December 2017 and 2016 are as follows::

Other income from main operating activities	**1 January – 31 December 2017**	**1 January – 31 December 2016**
Unearned interest income from trading activities	11.501	6.096
Foreign exchange gains	8.069	9.081
Reversal of provisions for cancellation of rent agreements (*)	7.043	--
Income from personnel	735	821
Gains from unused gift checks	449	1.588
Other income	1.557	2.482
	29.354	**20.068**

(*) For the year ended 31 December 2017, reversal of provisions for cancellation of rent agreements is comprised of the remaining amount released as a result of a settlement or the penalty payments with a discount to the landlords (2016: None)

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

NOTE 20 – OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS (Continued)

The details of other expense from operating activities for the year ended 31 December 2017 and 2016 are as follows:

Other expense from operating activities	1 January – 31 December 2017	1 January – 31 December 2016
Deferred interest expense from trading activities	(53.643)	(38.449)
Foreign exchange losses	(8.234)	(9.355)
Impairment on property, plant and equipment (Note 11)	(5.189)	(2.104)
Litigation expenses	(4.993)	(7.786)
Early termination rent penalties	(753)	(21.965)
Penalty payment for Competition Authority (Note 14)	--	(13.519)
Provisions expenses for supplier confirmation	--	(6.100)
Reorganisation expense	--	(11.454)
Provision expense for customs litigations (*)	--	(8.453)
Rent lawsuits expenses (Note 14)	--	(3.300)
Donation and aid expenses	--	(875)
Other expenses and losses	(5.193)	(2.621)
	(78.005)	**(125.981)**

(*) In 2016, TL 5,157 is custom litigation provision and expenses is composed of receivable reversal and TL 3,297 is composed of provision which is going to be paid on the purpose of utilization from tax amnesty (Note 15).

NOTE 21 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of investment income/expense for the year ended 31 December 2017 and 2016 are as follows:

Income from investing activities

	1 January – 31 December 2017	1 January – 31 December 2016
Interest income on time deposits	336	1.072
	336	**1.072**

Expense from investing activities

The details of other expenses from operating activities for the year ended 31 December 2017 and 2016 are as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Loss from sale of fixed assets	(794)	(17.075)
	(794)	**(17.075)**

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

NOTE 22 – FINANCE EXPENSES

The details of finance expense for the year ended 31 December 2017 and 2016 are as follows:

	1 January – 31 December 2017	**1 January – 31 December 2016**
Credit card discount expenses	(29.085)	(36.285)
Interest and commission expenses	(17.053)	(17.748)
Credit card commission expenses	(12.550)	(12.049)
Guarantee letters commission expenses	(591)	(451)
Credit card promotion expenses	--	(63)
Other finance expenses	(999)	(53)
	(60.278)	**(66.649)**

NOTE 23 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

Corporate income tax:

In Turkey, corporate tax rate is 20% as of 31 December 2017 (2016: 20%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 20% (2016: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2017. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

In Turkey, temporary corporate tax is calculated and filed quarterly. Losses can be carried forward for a maximum period of five years to offset against future taxable income. However, losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, inspect tax returns and the related accounting records and may revise assessments within five years.

As of 31 December 2017 and 2016, the Company has no income tax liabilities.

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

NOTE 23 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

Corporate income tax (continued):

Tax income / (expenses) for the year ended 31 December 2017 and 2016 are as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Tax expense:		
Corporate tax expense of the current period	--	--
Deferred tx expenses:		
Deferred tax (expenses) / income from temporary differences	(4.809)	32.307
	(4.809)	**32.307**

Deferred tax assets and liabilities

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS and tax legislation. According to the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on 5 December 2017 corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The details of the deferred tax assets and liabilities calculation by using effective tax rates for the year ended 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Prior year losses	36.652	40.643
Inventories	6.011	4.632
Kliksa transfer expenses	4.376	4.182
Expense accruals	3.693	2.019
Provision for cancellation of rent agreements	1.263	3.074
Litigations	1.604	1.830
Additional warranty costs	1.992	4.424
Provision for reconciliation differences	1.342	1.220
Provision for employment termination benefits	1.139	906
Withdrawal fees	830	618
Provision for unused vacations	566	454
Discount expenses	53	97
Derivative financial instruments	67	--
Income accruals	(1.267)	(783)
Discount income	(1.562)	(632)
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(4.928)	(6.625)
Other	(16)	302
Total deferred tax assets / (liabilities)	**51.815**	**56.361**

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

NOTE 23 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (continued)

Deferred tax assets and liabilities (continued)

The movements of deferred tax asset and liability as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Opening balance at 1 January	56.361	24.570
Current year (loss) / income	(4.809)	32.307
Other comprehensive income / (loss)	263	(1.133)
Effects on equity of change in accounting policies (Note 2.2)	--	617
Closing balance at 31 December	**51.815**	**56.361**

At the balance sheet date, the Company has unused tax losses of TL 180.853 (2016 TL 203.213) available for offset against future profits. A deferred tax asset has been recognized in respect of TL 36.652 (2016: TL 40.643) of such losses.

Carry forward lax losses

The expiration dates of such carry forward tax losses are as follows:

	31 December 2017	31 December 2016
Expires at 2019	--	6.310
Expires at 2020	24.065	40.115
Expires at 2021	156.788	156.788
	180.853	**203.213**

(*) The Company's financial income in 2017 amounting to TL 22.360 has been deducted from the financial losses carried forward from 2014 and 2015.

The reconciliation of the current period tax (expenses) / income and operating profit as follows:

	31 December 2017	31 December 2016
Operatıng profıt/ (loss) before ıncome tax	24.377	(192.920)
Effective tax rate	%20	%20
Calculated tax	(4.875)	38.584
Reconciliation of tax provision:		
-*Exemptions and discounts*	(3.377)	(5.329)
-*Utilization of previous year tax losses*	4.472	--
-*Effect of change in tax rate*	(1.856)	--
-*Other*	827	(948)
Tax (expenses) / income on income statement	**(4.809)**	**32.307**

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

NOTE 24 – EARNINGS / (LOSS) PER SHARE

Weighted average number of shares and basic earnings per share for the year ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Weighted average number of ordinary shares outstanding during the period (in full)	11.000.000.000	11.000.000.000
Profit/(loss) for the year attributable to owners of the company	19.568	(160.613)
Basic (loss) / earnings per share from continuing operations -thousands of ordinary shares (thousands TL)	0,0018	(0,0146)

NOTE 25 - FINANCIAL INSTRUMENTS

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

Financial assets

Cash and cash equivalents are presented on cost basis and are assumed to reflect their fair values as they are liquid and classified as current assets.

Trade receivables are presented netted off related doubtful portion of the receivable and are assumed to reflect their fair value.

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

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

Financial liabilities

Since trade payables are short-term, they are assumed to reflect their fair values.

Loans and other monetary liabilities are considered to approximate their carrying values due to their short-term nature.

Fair value estimations

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market. (unobservable inputs).

As of 31 December 2017, the Company does not have any private sector bonds which are quoted in "interbank bond market" (2016: None). Such financial assets which are carried at their fair value are deemed as Level 1 financial instruments as result of the quotation to "interbank bond market".

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

NOTE 26 - DERIVATIVES

	31 December 2017		31 December 2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward exchange	--	304	--	--
Short term	--	304	--	--
Long term	--	--	--	--
	--	**304**	**--**	**--**

The Company signed foreign currency forward contracts with the maturities in four months in order to hedge the foreign exchange exposures arising from the purchases denominated in foreign currency of the dealers. The total nominal amount of foreign exchange forward contracts that the Company is obliged to realize and which are not due is TL 32.467 (31 December 2016: None.) Fair value of the Company's foreign currency forward contracts is estimated to be approximately TL 304.These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. The fair value of the foreign currency forward contracts that are designated and effective as cash flow hedges amounting to TL 304 has been accounted for under equity) (31 December 2016 :None.)

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

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

b) Financial risk factors

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Significant part of trade receivables comprise credit card receivables and the Company has is not exposed to credit risk concerning credit card receivables. The Company collects the instalments of its credit card sales according to the mutually agreed discount rates with the banks and financial institutions on the nest day when the sale made within the scope of the credit card sales contracts made under the various banks and financial institutions. Other trade receivables, cheques and notes are due from dealer sales of air-conditioning, cash register and white goods. The Company has set up an effective control system on the dealers that are followed by credit risk management and each debtors have their own credit limit. The Company consider the past experience and collateral from dealers (Note 6).

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

b.1) Credit risk management

The credit risk as a financial risk factors as at 31 December 2017 is as follows:

	Receivables		
Credit risk of financail instruments	**Trade Receivables**		**Deposits at bank and credit card receivables**
31 December 2017	**Related Parties**	**Third Parties**	
Maximum credit risk as of balance sheet date (*)	2.610	53.518	66.621
-The part of maximum risk under guarantee with collateral etc. (**)	--	64.622	--
A.Net book value of financial assets that are neither past due nor impaired	2.610	61,419	66.621
B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	--	4.521	--
C.Net book value of impaired assets	--		--
-Past due (gross carrying amount)	--	12.422	--
'-Impairment (-)	--	(12.422)	--
'-The part of net value under guarantee with collateral etc.	--	--	--
-Not past due (gross carrying amount)	--	--	--
'-Impairment (-)	--	--	--
'- The part of net value under guarantee with collateral etc.	--	--	--
D.Off-balance sheet items with credit risk	--	--	--

(*)Guarantees received and other factors increasing loan reliability are not considered in determining this amount.
(**)Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

b.1) Credit risk management (continued)

The credit risk as a financial risk factors as at 31 December 2016 is as follows:

	Receivables		
Credit risk of financail instruments	**Trade Receivables**		**Deposits at bank and credit card receivables**
31 December 2016	**Related Parties**	**Third Parties**	
Maximum credit risk as of balance sheet date (*)	1.701	48.648	153.020
-The part of maximum risk under guarantee with collateral etc. (**)	--	16.985	--
A.Net book value of financial assets that are neither past due nor impaired	1.701	33.257	153.020
B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	--	4.417	--
C.Net book value of impaired assets	--	--	--
-Past due (gross carrying amount)	--	10.974	--
'-Impairment (-)	--	(10.974)	--
'-The part of net value under guarantee with collateral etc.	--	--	--
-Not past due (gross carrying amount)	--	--	--
'-Impairment (-)	--	--	--
'- The part of net value under guarantee with collateral etc.	--	--	--
D.Off-balance sheet items with credit risk	--	--	--

(*)Guarantees received and other factors increasing loan reliability are not considered in determining this amount.
(**)Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Explanations on the credit quality of financial assets

As of 31 December 2017 and 2016, banks which contain cash and cash equivalents that are included in the neither overdue nor impaired financial assets have mostly high credit ratings, whereas the counterparties included in trade receivables in the same category are customers / related parties with whom the Company has been in relation for a long time and did not have any significant collection problems.

Aging of receivables that are past due but not impaired are as follows:

	31 December 2017	31 December 2016
Past due 1-30 days	3.531	2.362
Past due1-3 months	196	1.256
Past due 3-12 months	794	799
Past due 1-5 years	--	--
Past due more than 5 years	--	--
Total past due receviables	**4.521**	**4.417**

Total past due receviables		
The part of maximum risk under guarantee with collateral etc.	2.251	1.540

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

b.2) Liquidity risk

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

The Company management holds adequate cash, credit commitment and credit card receivables that will meet the need for cash for recent future in order to manage its liquidity risk. In this context, the Company has credit commitment agreements (monetary and non-monetary) from banks amounting to TL 1.848.332 that the Company can utilize whenever needed as of 31 December 2017 (2016: TL 1.977.665).

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

31 December 2017	**Book value**	**Total contract based cash outflow (I+II+III)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 years (III)**
Non-derivative financial liabilities					
Trade payables	674.944	677.921	677.921	--	--
Related parties	*3.296*	*3.296*	*3.296*	--	--
Third parties	*671.648*	*674.625*	*674.625*	--	--
Other payables	1.456	1.456	1.456	--	--
Third parties	*1.456*	*1.456*	*1.456*	--	--
Total liabilities	**676.400**	**679.377**	**679.377**	--	--
Derivative financial liabilities					
Derivative financial assets held fo cash flow hedges					
-Cash outflow	304	32.468	31.424	1.044	--
-Cash inflow	--	(31.571)	(30.574)	(997)	--
Total liabilities	**304**	**897**	**850**	**47**	**--**

31 December 2016	**Book value**	**Total contract based cash outflow (I+II+III)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 years (III)**
Non-derivative financial liabilities					
Trade payables	712.323	715.465	715.465	--	--
Related parties	*4.201*	*4.201*	*4.201*	--	--
Third parties	*708.122*	*711.264*	*711.264*	--	--
Other payables	1.198	1.198	1.198	--	--
Third parties	*1.198*	*1.198*	*1.198*	--	--
Total liabilities	**713,521**	**716.663**	**716.663**	--	--

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Foreign currency risk

As the Company primarily purchases from domestic vendors in TL, the Company is exposed to limited foreign exchange risk.

The risk is monitored by the Board of Directors in regular meetings. The idle cash is invested in foreign currency in order to minimise the foreign exchange risk resulted from balance sheet items. The Company also manages the foreign currency risk by limited use of forward contracts, which is one of derivative instruments, if necessary.

Foreign Currency Position	**31 December 2017**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	950	251	--	109
2a.Monetary financial assets (including cash on hand and bank accounts)	2.016	163	254	--
2b.Non monetary financial assets	241	45	13	--
3. Other	--	--	--	--
4. CURRENT ASSETS (1+2+3)	**3.207**	**459**	**267**	**109**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	234	62	--	--
7. Other	--	--	--	--
8. NON CURRENT ASSETS (5+6+7)	**234**	**62**	**--**	**--**
9. TOTAL ASSETS (4+8)	**3.441**	**521**	**267**	**109**
10. Trade payables	(7.253)	(987)	(640)	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	(3.401)	(349)	(378)	--
12b. Non monetary other liabilities	--	--	--	--
13. CURRENT LIABILITIES (10+11+12)	**(10.654)**	**(1.336)**	**(1.018)**	**--**
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non monetary other liabilities	--	--	--	--
17. NON CURRENT LIABILITIES (14+15+16)	--	--	--	--
18. TOTAL LIABILITIES (13+17)	**(10.654)**	**(1.336)**	**(1.018)**	**--**
19. Net position of financial statement (9+18)	**(7.213)**	**(815)**	**(751)**	**109**
Off-balance sheet derivative assets	31.571	8.370	--	--
Off-balance sheet derivative liabilities	--	--	--	--
20. Net position of foreign currency derrivatives	**31.571**	**8.370**	**--**	**--**
21. Net position of foreign currency asset / (liability) (19+20)	**24.358**	**7.555**	**(751)**	**109**
22. Net position of monetary foreign currency asset / (liability) (19)-(3+7)	**(7.213)**	**(815)**	**(751)**	**109**
23. Total fair value of foreign currency hedge	--	--	--	--
24. The amount for the hedged portion foreign currency assets	--	--	--	--
25. The amount for the hedged portion of foreign currency liabilities	31.571	8.370	--	--

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Foreign currency risk (continued)

Foreign currency position (continued)	**31 December 2016**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	798	173	50	109
2a.Monetary financial assets (including cash on hand and bank accounts)	11	2	1	--
2b.Non monetary financial assets	18	5	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS (1+2+3)	**827**	**180**	**51**	**109**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	--	--	--	--
7. Other	--	--	--	1
8. NON CURRENT ASSETS (5+6+7)	**--**	**--**	**--**	**1**
9. TOTAL ASSETS (4+8)	**827**	**180**	**51**	**110**
10. Trade payables	(5.700)	(1.040)	(550)	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	(1.151)	(327)	--	--
12b. Non monetary other liabilities	--	--	--	--
13. CURRENT LIABILITIES (10+11+12)	**(6.851)**	**(1.367)**	**(550)**	**--**
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non monetary other liabilities	--	--	--	--
17. NON CURRENT LIABILITIES (14+15+16)	**--**	**--**	**--**	**--**
18. TOTAL LIABILITIES (13+17)	**(6.851)**	**(1.367)**	**(550)**	**--**
19. Net position of financial statement (9+18)	**(6.024)**	**(1.187)**	**(499)**	**110**
Off-balance sheet derivative assets	--	--	--	--
Off-balance sheet derivative liabilities	--	--	--	--
20. Net position of foreign currency derrivatives	--	--	--	--
21. Net position of foreign currency asset / (liability) (19+20)	**(6.024)**	**(1.187)**	**(499)**	**110**
22. Net position of monetary foreign currency asset / (liability) (19)-(3+7)	**(6.024)**	**(1.187)**	**(499)**	**109**
23. Total fair value of foreign currency hedge	**--**	**--**	**--**	**--**
24. The amount for the hedged portion foreign currency assets	**--**	**--**	**--**	**--**
25. The amount for the hedged portion of foreign currency liabilities	**--**	**--**	**--**	**--**

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

NOTE 27 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Foreign currency risk (continued)

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising primarily from USD and EUR. The following table demonstrates the sensitivity of the Company to a possible change of 10% in US dollar and EUR rates. 10% is the rate is a reasonable rate as it is limited with 10% share capital commitment. Sensitivity analysis based on the foreign exchange risk at the reporting date, is identified with the changes at the beginning of the fiscal year and kept constant during the fiscal period. Negative value implies the effect of 10% increase in USD and in EUR foreign currency rates against TL on the decrease in the net profit.

Foreign Currency Sensitivity Table	**31 December 2017**	
	Profit / Loss	
	Appreciation of foreign currencies	Appreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	(307)	307
2- Amount hedged for USD risk (-)	3.157	(3.157)
3- USD net effect (1 +2)	**2.850**	**(2.850)**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(414)	414
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**(414)**	**414**
In case 10% appreciation of other currency against TL		
7- Net assets/liabilities in other foreign currency	1	(1)
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	1	(1)
TOTAL (3 + 6 +9)	**2.437**	**(2.437)**

Foreign Currency Sensitivity Table	**31 December 2016**	
	Profit / Loss	
	Appreciation of foreign currencies	Appreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	(420)	420
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**(420)**	**420**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(185)	185
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**(185)**	**185**
In case 10% appreciation of other currency against TL		
7- Net assets/liabilities in other foreign currency	1	(1)
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	1	(1)
TOTAL (3 + 6 +9)	**(604)**	**604**

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

NOTE 28 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

As at 31 December, fair value and carrying amounts of assets and liabilities are shown in the table below:

31 December 2017	**Loans and receivables**	**Derivative financial instruments**	**Financial liabilities at amortised cost**	**Carrying value**	***Note***
Financial assets					
Cash and cash equivalents	72.703	--	--	72.703	*5*
Trade receivables (including due from related parties)	56.128	--	--	56.128	*6*
Other receivables	501	--	--	501	*7*
Financial liabilities					
Trade payables (including due to related parties)	--	--	674.944	674.944	*6*
Other payables	--	--	1.456	1.456	*7*
Derivative liabilities	--	304	--	304	*26*

31 December 2016	**Loans and receivables**	**Derivative financial instruments**	**Financial liabilities at amortised cost**	**Carrying value**	***Note***
Financial assets					
Cash and cash equivalents	156.094	--	--	156.094	*5*
Trade receivables (including due from related parties)	50.349	--	--	56.349	*6*
Other receivables	556	--	--	556	*7*
Financial liabilities					
Trade payables (including due to related parties)		--	712.323	712.323	*6*
Other payables		--	1.198	1.198	*7*

The Company management assumes that the carrying values of the financial assets and liabilities are close to their fair value because of their short-term nature.

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

NOTE 28 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (continued)

Fair values of financial instruments:

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

• Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

• Level 2 : Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

• Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of 31 December 2017 is as follows:

Some of the Company'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:

	Level 1	Level 2	Level 3
31 December 2017			
Derrivative instruments	--	(304)	--
	--	**(304)**	**--**

NOTE 29 – EVENTS AFTER THE REPORTING PERIOD

The Company made a material disclosure on Public Disclosure Platform on 20 February 2018 in accordance with the CMB's principal decision 10 April 2014 dated and numbered 11/352 as detailed below:

''The Company issued its financial statements as at 31 December 2017 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL (-) 43.373.000 and the brand value which is the off-balance sheet asset of the Company amounting to full TL 315.159.000 are considered in accordance with the CMB's principal decision numbered 2014/11. There is no change in the negative equity status of the Company in these financial statements which are prepared in accordance with above mentioned the CMB regulations. As a result, statement of financial position is prepared in accordance with the related article of TCC 376 based on the CMB's principal decision numbered 2014/11.

The brand value is included in the statement of financial position prepared in accordance with the related article of TCC 376. Equity of this statement in the financial position prepared in accordance with the related article of TCC 376 is amounting to full TL (+) 319.376.359 This indicates that the Company maintains its share capital amounting to TL 110.000.000 in full.''