TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 WITH INDEPENDENT AUDITOR'S REVIEW REPORT

(Originally issued in Turkish)

30 October 2017

This report includes 2 pages of independent auditor's review report and 36 pages of condensed interim financial statements and notes to the condensed interim financial statements.

Convenience Translation of the Independent Auditor's Review Report Originally Prepared and Issued in Turkish

To the Board of Directors of Teknosa İç ve Dış Ticaret Anonim Şirketi,

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Teknosa İç ve Dış Ticaret A.Ş. (the''Company'') as at 30 September 2017, and the condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine month period then ended and notes to the condensed interim financial information ("condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2016 were audited and as at and for the nine-month period ended 30 September 2016 were reviewed by another auditor who expressed an unmodified opinion on 13 February 2017 and unmodified conclusion on 31 October 2016, respectively.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Ruşen Fikret Selamet, SMMM
Partner
30 October 2017
İstanbul, Turkey

Additional paragraph for convenience translation to English

The accompanying condensed interim financial statements are not intended to present the financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

INDEX **PAGE**

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

		Current period	**Prior period**
		Reviewed	***Audited***
	Notes	**30 September 2017**	**31 December 2016**
ASSETS			
Current assets		**541.015**	**579.697**
Cash and cash equivalents	*5*	30.261	156.094
Trade receivables	*7*	51.557	56.449
Trade receivables from related parties	*4*	*1.479*	*1.701*
Trade receivables from third parties	*7*	*50.078*	*54.748*
Inventories	*8*	446.076	352.687
Prepaid expenses	*9*	9.696	11.077
Other current assets	*16*	3.425	3.390
Non-current assets		**174.739**	**188.721**
Other receivables		501	556
Investment property	*10*	10.052	10.196
Property, plant and equipment	*11*	91.205	98.744
Intangible assets	*12*	21.017	22.287
Prepaid expenses	*9*	482	577
Deferred tax assets		51.482	56.361
TOTAL ASSETS		**715.754**	**768.418**

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

		Current period	Prior period
		Reviewed	*Audited*
	Notes	**30 September 2017**	**31 December 2016**
LIABILITIES			
Current liabilities		**754.411**	**825.742**
Short-term loans and borrowings	*6*	24.600	--
Trade payables	*7*	651.799	716.783
Trade payables to related parties	*4*	*448*	*4.201*
Trade payables to third parties	*7*	*651.351*	*712.582*
Payables related to employee benefits	*13*	19.362	13.462
Other payables		1.505	1.198
Other payables to third parties		*1.505*	*1.198*
Deferred revenue	*9*	17.046	23.135
Short-term provisions		22.934	48.411
Short-term provisions for employee benefits	*13*	*6.137*	*7.545*
Other short-term provisions	*14*	*16.797*	*40.866*
Other current liabilities	*16*	17.165	22.753
Non-current liabilities		**5.588**	**4.591**
Long-term provisions for employee benefits	*13*	5.588	4.591
EQUITY		**(44.245)**	**(61.915)**
Share capital		110.000	110.000
Adjustments to share capital		6.628	6.628
Restricted reserves		8.704	8.704
Other reserves		3	3
Other comprehensive income that will not be reclassified to profit or loss		20.135	20.130
Gains on revaluation of property and equipment		*21.908*	*21.908*
Losses on remeasurement of defined benefit plans		*(1.773)*	*(1.778)*
Accumulated losses		(207.380)	(46.767)
Net profit/(loss) for the period		17.665	(160.613)
TOTAL LIABILITIES		**715.754**	**768.418**

Accompanying notes are an integral part of these condensed interim financial information.

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

		Current period	**Current period**	**Prior period**	**Prior period**
		Reviewed	***Reviewed***	***Reviewed***	***Reviewed***
	Notes	**1 January- 30 September 2017**	**1 July- 30 September 2017**	**1 January- 30 September 2016**	**1 July- 30 September 2016**
Revenue	*17*	2.413.491	882.183	2.296.401	699.138
Cost of revenue (-)	*17*	(1.964.539)	(722.336)	(1.937.306)	(624.038)
GROSS PROFIT		**448.952**	**159.847**	**359.095**	**75.100**
Marketing expenses (-)	*18*	(322.170)	(111.399)	(356.239)	(109.845)
General administrative expenses (-)	*19*	(34.556)	(11.362)	(36.101)	(10.865)
Other income from operating activities	*19*	23.761	5.230	11.838	3.652
Other expenses from operating activities (-)	*19*	(48.432)	(16.021)	(125.972)	(81.965)
RESULTS FROM OPERATING ACTIVITIES		**67.555**	**26.295**	**(147.379)**	**(123.923)**
Income from investing activities	*20*	408	8	1.211	23
Expenses from investing activities (-)		--	--	(15.643)	(13.254)
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSE		**67.963**	**26.303**	**(161.811)**	**(137.154)**
Finance expenses (-)	*21*	(45.419)	(15.470)	(49.512)	(16.017)
OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX		**22.544**	**10.833**	**(211.323)**	**(153.171)**
Tax (expense)/income		**(4.879)**	**(2.240)**	**40.549**	**30.454**
- Current tax expense		--	--	--	--
- Deferred tax (expense)/income		(4.879)	(2.240)	40.549	30.454
PROFIT/(LOSS) FOR THE PERIOD		**17.665**	**8.593**	**(170.774)**	**(122.717)**
Attributable to:					
Non-controlling interests		--	--	--	--
Owners of the Company		**17.665**	**8.593**	**(170.774)**	**(122.717)**
OTHER COMPREHENSIVE INCOME/(LOSS)					
Items that will not be reclassified to profit or loss		**5**	**--**	**21.850**	**41**
Gains/(losses) on remeasurement of defined benefit plans		6	--	(73)	51
Gains on revaluation of property and equipment	*11*	--	--	23.061	--
Income tax related to items that will not be reclassified to profit or loss		(1)	--	(1.138)	(10)
Items that are or may be reclassified to profit or loss		**--**	**55**	**(998)**	**3.040**
(Losses)/gains on cash flow hedges		--	69	(1.248)	3.799
Income tax related to items that are or may be reclassified to profit or loss	*22*	--	(14)	250	(759)
TOTAL COMPREHENSIVE INCOME/(LOSS)		**17.670**	**8.648**	**(149.922)**	**(119.636)**
Earnings/(loss) per share		0,0016	0,0008	(0,0155)	(0,0112)

Accompanying notes are an integral part of these condensed interim financial information.

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

					Other comprehensive income/(loss) that will not be reclassified to profit or loss		**Other comprehensive income/(loss) that are or may be reclassified to profit or loss**	**Retained earnings/Accumulated losses**		
	Share capital	Adjustments to share capital	Restricted reserves	Other reserves	Gain/(losses) on remeasurement of defined benefit plans	Gains on revaluation of property and equipment	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/(loss)	--	--	--	--	(58)	21.908	(998)	--	(170.774)	(149.922)
Balance at 30 September 2016	**110.000**	**6.628**	**8.704**	**3**	**(2.042)**	**21.908**	**(710)**	**(46.767)**	**(170.774)**	**73.050**
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	--	--	--	--	5	--	--	--	17.665	17.670
Balance at 30 September 2017	**110.000**	**6.628**	**8.704**	**3**	**(1.773)**	**21.908**	**--**	**(207.380)**	**17.665**	**(44.245)**

Accompanying notes are an integral part of these condensed interim financial information.

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

	Notes	Current period *Reviewed* 1 January – 30 September 2017	Prior period *Reviewed* 1 January – 30 September 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		17.665	(170.774)
Adjustments:			
Adjustments for interest expenses	*21*	45.419	49.512
Adjustments for depreciation and amortisation expenses	*18*	25.479	28.010
Adjustments for impairment of receivables		(1.023)	626
Adjustments for (reversal of)/provision for other provisions		(7.303)	64.122
Adjustments for (reversal of)/impairment of property and equipment	*11*	(982)	2.104
Adjustments for (reversal of)/impairment of inventory	*8*	(1.312)	6.928
Adjustments for provision for employee benefits		2.742	5.464
Adjustments for interest income	*20*	(161)	(828)
Adjustments for tax expense/(income)		4.879	(40.549)
Adjustments for the (gains)/losses on sale of property and equipment	*20*	(247)	15.260
		85.156	**(40.125)**
Changes in working capital:			
Decrease/(increase) in trade receivables from third parties		5.693	(10.817)
Decrease in trade receivables from related parties		222	368
Decrease/(increase) in inventories		(92.077)	133.244
Decrease in other assets related to operations		1.501	6.455
Decrease in trade payables to third parties		(56.771)	(355.278)
Decrease in trade payables to related parties		(3.753)	(2.694)
Decrease in other liabilities related to operations		(9.930)	(15.008)
Total adjustments		**(69.959)**	**(283.855)**
Payments related to provisions for employee benefits		(3.153)	(6.058)
Payments related to other provisions		(16.766)	--
Cash used in operating activities		**(89.878)**	**(289.913)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	*11*	(9.551)	(20.931)
Acquisition of intangible assets	*12*	(7.211)	(6.870)
Proceeds from sale of property and equipment and intangible assets		1.465	1.185
Interest received	*20*	161	828
Cash used in investing activities		**(15.136)**	**(25.788)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	*21*	(45.419)	(49.512)
Proceeds from loans borrowings		24.600	68.800
Cash (used in)/provided from financing activities		**(20.819)**	**19.288**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(125.833)**	**(296.413)**
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	*5*	**30.261**	**8.872**

Accompanying notes are an integral part of these condensed interim financial information.

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 30 September 2017, number of personnel of the Company is 2.546 (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 202 stores with 112.215 square meters retail space as at 30 September 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 Company maintains its accounting records and prepares its statutory financial statements in accordance with Turkish Commercial Code ("TCC") and accounting principles in the tax legislation.

The accompanying condensed interim financial statements 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 Company prepared its financial statements for the interim period ended 30 September 2017 in accordance with TAS 34 "Interim Financial Reporting". The accompanying condensed interim financial statements do not include all notes and disclosures required for the annual financial statements therefore, should be read in conjunction with the annual financial statements as at 31 December 2016.

(ii) Preparation of financial statements

The accompanying condensed interim financial statements are prepared in accordance with "Announcement on Financial Statements and Disclosure Formats" of CMB dated 7 June 2013. The condensed interim financial statements of the Company as at and for the nine month period ended 30 September 2017 have been approved by the Board of Directors on 30 October 2017.

(iii) 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.

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

2.1 Basis of Presentation (Continued)

(iv) 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.

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

The interim financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the 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. Reclassifications made on the interim statements of financial position and profit or loss and other comprehensive income for the nine-month period ended 30 September 2016 are presented as below:

- The Company reclassified credit card discount expenses previously offset from "revenue" to "finance expenses" in its comparative statement of profit or loss and other comprehensive income amounting to TL 27.219 and TL 7.778 for the nine month and three month period ended 30 September 2016, respectively.
- The Company reclassified loss from disposal of fixed assets amounting to TL 15.643 and TL 13.524 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 the nine month period ended 30 September 2016, respectively.
- The Company reclassified gain from sale of fixed assets amounting to TL 383 previously presented under "other income from operating activities" to "income from investing activities" in its comparative statement of profit or loss and other comprehensive income for the nine month period ended 30 September 2016.
- The Company reclassified TL 4.460 of the other expense accruals amounting to TL 8.539 previously presented under "other current liabilities" to "trade payables" in its comparative statement of financial position as at 31 December 2016.

The related reclassifications have no effect on the net loss for the interim period ended 30 September 2016.

The reclassifications are considered in the preparation of the condensed interim statement of cash flows for the nine month period ended 30 September 2016.

2.2 Changes in accounting policies

The significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2016.

The accounting policies applied in the condensed interim financial statements as at and for the interim period ended 30 September 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 for the nine month period ended 30 September 2016. According to TMS 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.

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

2.2 Changes in accounting policies (Continued)

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 TMS 8 paragraph 17.

2.3 Changes in estimates and error

The preparation of the financial statements 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 the interim period ended 30 September 2017 compared to used in previous year.

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 30 September 2017

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. 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 the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognising revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 15.

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. This version includes referrals in earlier versions of TFRS 9 and revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. TFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 9.

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

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 30 September 2017 (Continued)

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 International Financial Reporting Standards ("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 International Accounting Standards ("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.

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 7.

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 12.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to 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 these amendments will have significant impact on the financial position or performance of the Company.

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

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 30 September 2017 (Continued)

The new standards, amendments and interpretations that are issued IASB but not issued by POA (Continued)

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as at 1 January 2018 except for the application of IFRS 12 "Disclosure of Interests in Other Entities" which is effective as at 1 January 2017. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Annual Improvements to IFRSs 2014-2016 Cycle

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

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters within the context of 'Annual Improvements to IFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarised financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 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 organisation, 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 IFRS 9.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB 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 derecognised (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 is in the process of assessing the potential impact of this change in IAS 40 on its financial statements.

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 30 September 2017 (Continued)

The new standards, amendments and interpretations that are issued IASB but not issued by POA (Continued)

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration 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 recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises 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 IFRIC is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 22.

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, International Financial Reporting Interpretations Committee ("IFRIC") 4 Determining Whether an Arrangement Contains a Lease, Standard Interpretations Committee ("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 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 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. 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.

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 30 September 2017 (Continued)

The new standards, amendments and interpretations that are issued IASB but not issued by POA (Continued)

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. 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. The Company does not expect that application of IFRS 17 will have significant impact on its financial statements.

2.5 Critical judgments and estimates

Critical judgments in applying the Company's accounting policies

The Company management had made the following judgements 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 are measured at cost less accumulated depreciation and impairment losses, if any except land and buildings. 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 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 profit/loss before interest, tax, depreciation and amortisation 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. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount in profit or loss.

Additionally, the Company recognises allowance for impairment for the equipment and the leasehold improvements of the stores for which the Company management has approved the store closure. 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 and equipment amounting to TL 2.027 as at 30 September 2017 (31 December 2016: TL 3.010).

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

2.5 Critical judgments and estimates (Continued)

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

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 report is calculated by comparing cost recognised in the financial records at the end of the particular month and selling prices obtained from price lists.

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 15.451 as at 30 September 2017 (31 December 2016: TL 16.763).

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.

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 period ended 30 September 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 accompanying condensed interim financial statements.

Compliance with the financial requirements

The Company recognised net profit amounting to TL 17.665 for the nine month period ended 30 September 2017. As at 30 September 2017, accumulated losses are amounting to TL 189.715. As at 30 September 2017, negative equity of the Company which includes the prior years' losses is amounting to TL 44.245.

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 7 August 2017 in accordance with the CMB's principal decision numbered 11/352 as detailed below:

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

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

2.5 Critical judgments and estimates (Continued)

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

Compliance with the financial requirements (Continued)

"The Company issued its financial statements which are prepared in accordance with the CMB regulations as at 30 June 2017. The Company's equity in these financial statements amounting to full TL (-) 52.893.274 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 (+) 302.181.092. This indicates that the Company maintains its share capital amounting to full TL 110.000.000."

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 30 September 2017, the amount offset from the deferred income from the gift checks recognised in the interim statement of financial statement is amounting to TL 4.596 (31 December 2016: TL 4.014)

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-30 September 2017		
	Retail stores	**Dealer group**	**Total**
Total segment income	2.226.275	187.216	2.413.491
Income from third party customers	**2.226.275**	**187.216**	**2.413.491**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**94.601**	**25.151**	**119.752**

	1 January-30 September 2016		
	Retail stores	**Dealer group**	**Total**
Total segment income	2.166.187	130.214	2.296.401
Income from third party customers	**2.166.187**	**130.214**	**2.296.401**
Profit/(loss) before interest, tax, employee termination benefits, depreciation and amortisation	**(22.087)**	**20.108**	**(1.979)**

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

NOTE 3 – SEGMENT REPORTING (Continued)

	1 July – 30 September 2017		
	Retail stores	**Dealer group**	**Total**
Total segment income	816.425	65.758	882.183
Income from third party customers	**816.425**	**65.758**	**882.183**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**37.403**	**8.133**	**45.536**

	1 July – 30 September 2016		
	Retail stores	**Dealer group**	**Total**
Total segment income	658.162	40.976	699.138
Income from third party customers	**658.162**	**40.976**	**699.138**
Profit/(loss) before interest, tax, employee termination benefits, depreciation and amortisation	**(41.403)**	**4.766**	**(36.637)**

	1 January – 30 September 2017	**1 July – 30 September 2017**	**1 January – 30 September 2016**	**1 July – 30 September 2016**
Reconciliation of EBITDA with profit before taxes:	**119.752**	**45.536**	**(1.979)**	**(36.637)**
Depreciation and amortisation expenses	(25.479)	(8.321)	(28.010)	(9.010)
Finance expenses	(45.419)	(15.470)	(49.512)	(16.017)
Income/(expenses) from investing activities	408	8	(14.432)	(13.231)
Other expenses from operating activities, net	(24.671)	(10.791)	(114.134)	(78.313)
Provision for employee termination benefits	(2.047)	(129)	(3.256)	37
Profit/(loss) before tax	**22.544**	**10.833**	**(211.323)**	**(153.171)**

(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.

	30 September 2017	
	Receivables	**Payables**
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	612	--
Akbank T.A.Ş.	335	--
Aksigorta A.Ş.	325	213
Hacı Ömer Sabancı Holding A.Ş.	153	--
Avivasa Emeklilik ve Hayat A.Ş.	37	1
Akçansa Çimento San. ve Tic. A.Ş.	16	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	1	7
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	--	221
Çimsa Çimento San. ve Tic. A.Ş.	--	5
Temsa Global Sanayi ve Ticaret A.Ş.	--	1
	1.479	**448**

	31 December 2016	
	Receivables	**Payables**
	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 Teknik Tekstil A.Ş.	16	--
Philip Morris Sabancı Pazarlama Satış A.Ş.	9	--
Enerjisa Enerji A.Ş. and its subsidiaries	--	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.	30 September 2017	31 December 2016
Demand deposit	3.242	10.377
Time deposit	--	4.000
	3.242	**14.377**

Credit card slip receivables in Akbank T.A.Ş.	30 September 2017	31 December 2016
Credit card slip receivables	2.759	3.301
	2.759	**3.301**

	1 January - 30 September 2017			
Transactions with related parties	**Sale of goods**	**Interest income**	**Rent expense**	**Other income / (expenses)**
Akbank T.A.Ş.	14.133	4	--	--
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1.765	--	(3.625)	(153)
Aksigorta A.Ş.	356	--	--	(2.319)
Akçansa Çimento San. ve Tic. A.Ş.	129	--	--	--
Avivasa Emeklilik ve Hayat A.Ş.	91	--	--	(1.407)
Çimsa Çimento San.ve Tic.A.Ş.	40	--	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	28	--	--	(3.086)
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	13	--	--	--
Philip Morris Sabancı Pazarlama Satış A.Ş.	3	--	--	--
H.Ö. Sabancı Holding A.Ş.	1	--	--	(32)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	--	--	--	(1.117)
	16.559	**4**	**(3.625)**	**(8.114)**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	1 January – 30 September 2016			
Transactions with related parties	**Sale of goods**	**Interest income**	**Rent expense**	**Other income / (expenses)**
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	2.245	19	(3.322)	(915)
Akbank T.A.Ş.	1.390	--	--	--
Avivasa Emeklilik ve Hayat A.Ş.	366	--	--	(627)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	158	--	--	(4.831)
Akçansa Çimento San. ve Tic. A.Ş.	133	--	--	--
H.Ö. Sabancı Holding A.Ş.	129	--	(10)	(28)
Philip Morris Sabancı Pazarlama Satış A.Ş.	111	--	--	--
Çimsa Çimento Sanayi ve Ticaret A.Ş.	100	--	--	--
Aksigorta A.Ş.	86	--	--	(1.943)
Temsa Global Sanayi ve Ticaret A.Ş.	77	--	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	17	--	--	--
Kordsa Teknik Tekstil A.Ş.	5	--	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	--	--	--	(3.824)
	4.817	**19**	**(3.332)**	**(12.168)**

The Company's key management has been identified as the general managers and directors. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the periods ended 30 September 2017 and 2016 are as follows:

	1 January – 30 September 2017	**1 January – 30 September 2016**
Salaries and other benefits	3.659	4.573
	3.659	**4.573**

NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017	**31 December 2016**
Cash	3.355	3.074
Demand deposit	11.895	18.783
Time deposit	--	117.235
Credit card slip receivables	15.011	17.002
	30.261	**156.094**

As at 30 September 2017, the Company has no time deposits. As at 31 December 2016, the Company's time deposits are all TL denominated and the average interest rate is 11% and maturity date of time deposits is 2- 5 January 2017.

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

NOTE 6 – LOANS AND BORROWINGS

The details of loans and borrowings as at 30 September 2017 are as follows:

	30 September 2017			
	Currency	**Interest rate**	**Amount**	**Maturity**
Bank borrowings	TL	14,70%	24.600	2 October 2017
Short-term loans and borrowings			**24.600**	

The Company does not have any short term loans and borrowings as at 31 December 2016.

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017	**31 December 2016**
Trade receivables	32.427	45.442
Notes receivables	21.502	14.180
Due from related parties (Note 4)	1.479	1.701
Allowance for doubtful receivables (-)	(3.851)	(4.874)
	51.557	**56.449**

As at 30 September 2017 and 31 December 2016, the Company obtained the collaterals listed below for the checks, notes and trade receivables:

	30 September 2017	**31 December 2016**
Letters of guarantees received	22.997	14.200
Mortgages	3.267	2.785
	26.264	**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 26.264 (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.

The details of trade payables as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017	**31 December 2016**
Trade payables	628.845	707.183
Expense accruals	22.506	5.399
Due to related parties (Note 4)	448	4.201
	651.799	**716.783**

As at 30 September 2017, the Company offset income accruals from its suppliers amounting to TL 50.358 with trade payables (31 December 2016: TL 10.814).

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

NOTE 8 – INVENTORIES

The details of the inventories as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017	31 December 2016
Trading goods	458.538	368.380
Goods in transit	2.989	1.070
Allowance for impairment on inventories (-)	(15.451)	(16.763)
	446.076	**352.687**

The movements of allowance for inventories for the periods ended at 30 September 2017 and 2016 are as below:

Allowance for inventories:	2017	2016
Balance at 1 January	(16.763)	(17.525)
(Provision)/reversal of the provision for the period, net	1.312	(6.928)
Balance at 30 September	**(15.451)**	**(24.453)**

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of prepaid expenses as at 30 September 2017 and 31 December 2016 are as follows:

Short-term prepaid expenses	30 September 2017	31 December 2016
Advances given for inventories	6.177	6.676
Short term prepaid expenses	3.519	4.401
	9.696	**11.077**

Long-term prepaid expenses	30 September 2017	31 December 2016
Long term prepaid expenses	482	577
	482	**577**

The details of the deferred revenue as at 30 September 2017 and 31 December 2016 are as follows:

Short-term deferred revenue	30 September 2017	31 December 2016
Income from gift checks	8.966	12.162
Advances received	7.871	10.135
Other	209	838
	17.046	**23.135**

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

NOTE 10 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation for the periods ended 30 September 2017 and 2016 are as follows:

Cost	**Lands**	**Buildings**	**Total**
Balance at 1 January 2017	6.529	4.791	11.320
Balance at 30 September 2017	**6.529**	**4.791**	**11.320**
Accumulated depreciation			
Balance at 1 January 2017	--	(1.124)	(1.124)
Charge for the period	--	(144)	(144)
Balance at 30 September 2017	**--**	**(1.268)**	**(1.268)**
Net carrying amount as at 1 January 2017	**6.529**	**3.667**	**10.196**
Net carrying amount as at 30 September 2017	**6.529**	**3.523**	**10.052**

Cost	**Lands**	**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 30 September 2016	**6.529**	**4.791**	**11.320**
Accumulated depreciation			
Balance at 1 January 2016	--	(1.029)	(1.029)
Charge for the period	--	(95)	(95)
Balance at 30 September 2016	**--**	**(1.124)**	**(1.124)**
Net carrying amount as at 30 September 2016	**6.529**	**3.667**	**10.196**

The Company generates rental income by TL 322 (2016: TL 370) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 532 (2016: TL 529). Operating expenses which are not related to the Teknosa store are distributed to lessees.

Land and buildings which are recognised as property and equipment and investment property were revalued by an independent appraisal firm named TADEM Taşınmaz Değerleme Müşavirlik A.Ş. ("TADEM") on 18 May 2016. 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 and TL 4.020 are recognised in prior years' losses (Note 2.2), respectively. Fair value of related land and buildings is level 2.

For the period ended 30 September 2017 and 2016, depreciation expenses are included in general administrative expenses.

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

NOTE 11 - PROPERTY AND EQUIPMENT

The movement of property and equipment and related accumulated depreciation for the period ended 30 September 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	--	--	2.045	4.225	3.241	9.551
Disposals	--	--	--	(1)	(3.156)	(2.320)	(408)	(5.885)
Transfers from construction in progress (**)	--	--	--	--	712	278	(2.140)	(1.150)
Balance at 30 September 2017	**26.505**	**6.363**	**339**	**56**	**83.138**	**100.027**	**1.034**	**217.462**
Accumulated depreciation and impairment losses								
Balance at 1 January 2017	--	(3.779)	(285)	(39)	(56.693)	(55.406)	--	(116.202)
Change for the period	--	(42)	(30)	(5)	(7.217)	(8.410)	--	(15.704)
Disposals	--	--	--	1	2.854	1.812	--	4.667
(Allowance for) / reversal of impairment, net	--	--	--	--	397	585	--	982
Balance at 30 September 2017	**--**	**(3.821)**	**(315)**	**(43)**	**(60.659)**	**(61.419)**	--	**(126.257)**
Net carrying amount at 1 January 2017	**26.505**	**2.544**	**54**	**18**	**26.844**	**42.438**	**341**	**98.744**
Net carrying amount at 30 September 2017	**26.505**	**2.542**	**24**	**13**	**22.479**	**38.608**	**1.034**	**91.205**

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

NOTE 11 - PROPERTY AND EQUIPMENT (Continued)

The movement of property and equipment and related accumulated depreciation for the period ended 30 September 2016 are as follows:

	Land	Building	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost								
Balance at 1 January 2016	3.444	6.323	359	66	85.363	123.722	3.011	222.288
Additions	--	--	--	--	2.937	6.649	11.345	20.931
Disposals	--	--	(20)	--	(9.428)	(38.565)	--	(48.013)
Revaluation fund(*)	23.061	--	--	--	--	--	--	23.061
Transfers from construction in progress (**)	--	--	--	--	5.996	4.379	(13.336)	(2.961)
Balance at 30 September 2016	**26.505**	**6.323**	**339**	**66**	**84.868**	**96.185**	**1.020**	**215.306**
Accumulated depreciation and impairment losses								
Balance at 1 January 2016	--	(810)	(265)	(38)	(55.926)	(66.489)	--	(123.528)
Charge for the period	--	(71)	(30)	(6)	(7.740)	(10.359)	--	(18.206)
Disposals	--	--	20	--	8.563	23.020	--	31.603
(Provision for) / reversal of impairment, net	--	(2.890)	--	--	(1.099)	1.852	--	(2.137)
Closing balance at 30 September 2016	**--**	**(3.771)**	**(275)**	**(44)**	**(56.202)**	**(51.976)**	**--**	**(112.268)**
Net book value at 30 September 2016	**26.505**	**2.552**	**64**	**22**	**28.666**	**44.209**	**1.020**	**103.038**

(*) As at 30 September 2017 and 31 December 2016, land and buildings are stated at the revalued amounts measured at fair value at the date of revaluation, less accumulated depreciation. Land and buildings of the Company were revalued by an independent appraisal firm named TADEM on 18 May 2016. The fair value of the land was determined based on the market comparable approach. As at 31 December 2016, gain on revaluation of land used by the Company amounting to TL 23.061 is recognised as gains on revaluation of property and equipment under equity. As at 31 December 2016, loss on revaluation of building used by the Company amounting to TL 2.890 is recognised in profit or loss. The fair value measurement for these land and building has been categorised as a Level 2 fair value.

(**) For the period ended 30 September 2017, TL 1.150 of construction in progress amounting to TL 2.240 is transferred to intangible assets, and TL 990 is transferred to property and equipment. For the period ended 30 September 2016, TL 2.961 of construction in progress, amounting to TL 13.336 is transferred to intangible assets, and TL 10.375 is transferred to property and equipment.

Depreciation expenses amounting to TL 7.224 (2016: TL 7.675) are included in general administrative expenses and TL 8.480 (2016: TL 10.531) are included in marketing expenses.

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

NOTE 12 – INTANGIBLE ASSETS

Cost	**Licenses and rights**	**Computer software**	**Total**
Balance at 1 January 2017	**4.686**	**72.897**	**77.583**
Additions	109	7.102	7.211
Disposals	--	(35)	(35)
Transfers from construction in progress (Note 11)	--	1.150	1.150
Balance at 30 September 2017	**4.795**	**81.114**	**85.909**
Accumulated amortisation and impairment losses			
Balance at 1 January 2017	(126)	(55.170)	(55.296)
Charge for the period	(49)	(9.582)	(9.631)
Disposals	--	35	35
Balance at 30 September 2017	**(175)**	**(64.717)**	**(64.892)**
Net book value as at 1 January 2017	**4.560**	**17.727**	**22.287**
Net book value as at 30 September 2017	**4.620**	**16.397**	**21.017**

Cost	**Licenses and rights**	**Computer software**	**Total**
Balance at 1 January 2016	**6.789**	**60.298**	**67.087**
Additions	154	6.716	6.870
Disposals	(2.752)	(137)	(2.889)
Transfers from construction in progress (Note 11)	319	2.642	2.961
Balance at 30 September 2016	**4.510**	**69.519**	**74.029**
Accumulated amortisation and impairment losses			
Balance at 1 January 2016	**(2.735)**	**(42.495)**	**(45.230)**
Charge for the period	(109)	(9.600)	(9.709)
Disposals	2.702	152	2.854
(Provision for)/ reversal of impairment	47	(14)	33
Balance at 30 September 2016	**(95)**	**(51.957)**	**(52.052)**
Net book value as at 30 September 2016	**4.415**	**17.562**	**21.977**

Amortisation expenses amounting to TL 3.147 (2016: TL 2.448) are included in general administrative expenses and TL 6.484 (2016: TL 7.261) are included in marketing 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 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017	31 December 2016
Social security premiums payable	9.643	5.574
Accrued salaries	7.696	6.295
Income taxes payable	2.023	1.593
	19.362	**13.462**

The details of the provisions for employee benefits as at 30 September 2017 and 31 December 2016 are as follows:

Short-term provisions	30 September 2017	31 December 2016
Provision for sales personnel premium	2.602	3.310
Provision for unused vacation	2.173	2.268
Provision for other premium	1.362	1.818
Restructuring provisions	--	149
	6.137	**7.545**

Long-term provisions	30 September 2017	31 December 2016
Provision for employee termination benefit	4.780	4.533
Provision for other premium	808	58
	5.588	**4.591**

NOTE 14 – PROVISIONS

The details of the other short term provisions as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017	31 December 2016
Provisions for ongoing litigation (*)	9.137	9.152
Provision for supplier reconcilitiation (**)	6.100	6.100
Provision for cancellation of rent agreements (***)	1.560	12.071
Provision for administrative fine of Competition Authority (****)	--	13.519
Other	--	24
	16.797	**40.866**

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

(**) Provision for supplier reconciliation is mainly comprised of provisions for unconfirmed invoices with the suppliers.

(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 period ended 30 September 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 7.477 is recognised as other income from operating activities in the accompanying interim condensed financial statements (Note 19).

(****) 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.

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 minimum lease payments related to non-cancellable operating lease agreements are as follows:

	30 September 2017	**31 December 2016**
Less than 1 year	142.698	145.871
Between 1-5 years	414.374	428.893
More than 5 years	107.595	124.535
	664.667	**699.299**

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

NOTE 15 – COMMITMENTS (Continued)

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages ("CPM") given by the Company as at 30 September 2017 and 31 December 2016 are as follows:

CPMs given by the Company	**30 September 2017**			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**53.144**	**7.638**	**4.701**	**6.305**
- Collaterals	53.144	7.638	4.701	6.305
- 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	**53.144**	**7.638**	**4.701**	**6.305**

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 30 September 2017 (31 December 2016: 0%).

As at 30 September 2017 and 31 December 2016, the Company is mainly contingently liable in respect of bank letter of guarantees obtained from banks given to lessors in accordance with the lease agreements, enforcement office related to ongoing lawsuits and custom related to import transactions.

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

NOTE 16 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current and non-current assets as at 30 September 2017 and 31 December 2016 are as follows:

Other current assets	30 September 2017	31 December 2016
Advances given	2.892	3.143
Personnel advances	363	108
Other current assets	170	139
	3.425	**3.390**

The details of the other current liabilities as at 30 September 2017 and 31 December 2016 are as follows:

Other current liabilities	30 September 2017	31 December 2016
Value added tax ("VAT") payable	13.418	18.222
Other expense accruals (*)	3.413	4.079
Other liabilities and obligations	334	452
	17.165	**22.753**

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

NOTE 17 - REVENUE

The details of revenue and cost of revenue for the nine month periods ended 30 September 2017 and 2016 are as follows.

Revenue (net)	1 January –30 September 2017	1 July –30 September 2017	1 January –30 September 2016	1 July –30 September 2016
Retail sales	2.226.275	816.425	2.166.187	658.162
Distributor sales	187.216	65.758	130.214	40.976
	2.413.491	**882.183**	**2.296.401**	**699.138**

Cost of revenue	1 January –30 September 2017	1 July –30 September 2017	1 January –30 September 2016	1 July –30 September 2016
Cost of trading goods sold	(1.954.376)	(718.192)	(1.929.398)	(620.775)
Installation and warranty expenses	(10.163)	(4.144)	(7.908)	(3.263)
	(1.964.539)	**(722.336)**	**(1.937.306)**	**(624.038)**

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

NOTE 18 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for the nine month periods ended 30 September 2017 and 2016 are as follows:

Marketing expenses	1 January –30 September 2017	1 July –30 September 2017	1 January –30 September 2016	1 July –30 September 2016
Rent expenses	(113.109)	(39.882)	(128.957)	(40.382)
Personnel expenses	(108.763)	(37.312)	(114.130)	(34.003)
Advertising and promotion expenses	(40.926)	(13.559)	(43.362)	(13.065)
Transportation expenses	(16.145)	(5.607)	(18.012)	(5.757)
Depreciation and amortisation expenses	(14.964)	(4.853)	(17.792)	(5.634)
Energy, fuel and water expenses	(8.382)	(3.053)	(10.999)	(3.757)
Consultancy expenses	(4.854)	(1.526)	(5.796)	(1.683)
Maintenance and cleaning expenses	(4.626)	(1.690)	(6.515)	(2.215)
Communication expenses	(1.376)	(739)	(1.065)	(383)
Travel and accommodation expenses	(840)	(336)	(910)	(303)
Other expenses	(8.185)	(2.842)	(8.701)	(2.663)
	(322.170)	**(111.399)**	**(356.239)**	**(109.845)**

The details of administrative expenses for the nine month periods ended 30 September 2017 and 2016 are as follows:

Administrative expenses	1 January –30 September 2017	1 July –30 September 2017	1 January-30 September 2016	1 July –30 September 2016
Personnel expenses	(11.775)	(3.464)	(10.193)	(3.515)
Depreciation and amortisation expenses	(10.515)	(3.468)	(10.218)	(3.376)
IT expenses	(5.815)	(1.773)	(6.137)	(1.838)
Consultancy expenses	(2.069)	(635)	(2.868)	(1.132)
Allowance for doubtful receivables	(1.667)	(995)	(629)	(190)
Rent expenses	(618)	(580)	(3.406)	(20)
Maintenance expenses	(347)	(69)	(359)	(216)
Travel expenses	(272)	(81)	(397)	(102)
Energy, fuel, water expenses	(138)	(30)	(363)	(112)
Other expenses	(1.340)	(267)	(1.531)	(364)
	(34.556)	**(11.362)**	**(36.101)**	**(10.865)**

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

NOTE 19 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the nine month periods ended 30 September 2017 and 2016 are as follows:

Other income from operating activities	1 January –30 September 2017	1 July –30 September 2017	1 January –30 September 2016	1 July–30 September 2016
Reversal of provisions for cancellation of rent agreements (*)	7.477	213	--	--
Foreign exchange gains	6.562	1.713	4.512	1.518
Interest income on credit sales	6.419	1.584	4.993	1.164
Income from personnel	582	210	654	223
Gains from unused gift checks	582	226	730	232
Other income	2.139	1.284	949	515
	23.761	**5.230**	**11.838**	**3.652**

(*) For the period ended 30 September 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).

The details of other expense from operating activities for the nine month periods ended 30 September 2017 and 2016 are as follows:

Other expense from operating activities	1 January –30 September 2017	1 July –30 September 2017	1 January –30 September 2016	1 July–30 September 2016
Interest expenses on payables	(33.554)	(12.034)	(29.834)	(5.936)
Foreign exchange losses	(7.079)	(1.405)	(7.813)	(2.337)
Litigation expenses	(3.957)	(2.306)	(20.854)	(16.850)
Early termination rent penalties	--	--	(27.095)	(27.095)
Provisions expenses for supplier confirmation	--	--	(14.000)	(14.000)
Reorganisation expense	--	--	(11.294)	(11.294)
Provision expense for customs litigations	--	--	(8.407)	(3.250)
Fair value loss on property, plant and equipment (Note 11)	--	--	(2.890)	--
Other expenses	(3.842)	(276)	(3.785)	(1.203)
	(48.432)	**(16.021)**	**(125.972)**	**(81.965)**

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

NOTE 20 – INCOME/EXPENSES FROM INVESTING ACTIVITIES

The details of income from investing activities for nine month periods ended 30 September 2017 and 2016 are as follows:

Income from investing activities

	1 January –30 September 2017	1 July –30 September 2017	1 January –30 September 2016	1 July –30 September 2016
Gain from sale of fixed assets	247	--	383	--
Interest income on time deposits	161	8	828	23
	408	**8**	**1.211**	**23**

Expense from investing activities

	1 January –30 September 2017	1 July –30 September 2017	1 January –30 September 2016	1 July –30 September 2016
Loss from sale of fixed assets	--	--	(15.643)	(13.254)
	--	**--**	**(15.643)**	**(13.254)**

NOTE 21 – FINANCE EXPENSES

The details of finance expenses for nine month periods ended 30 September 2017 and 2016 are as follows:

	1 January –30 September 2017	1 July –30 September 2017	1 January –30 September 2016	1 July –30 September 2016
Credit card discount expenses	(23.096)	(9.060)	(27.219)	(7.778)
Interest and commission expenses	(15.711)	(4.429)	(13.901)	(5.694)
Credit card commission expenses	(6.070)	(1.776)	(7.894)	(2.388)
Guarantee letters commission expenses	(345)	(55)	(370)	(126)
Credit card promotion expenses	--	--	(63)	--
Other finance expenses	(197)	(150)	(65)	(31)
	(45.419)	**(15.470)**	**(49.512)**	**(16.017)**

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

NOTE 22 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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	**30 September 2017**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	3.855	951	113	109
2a.Monetary financial assets (including cash on hand and bank accounts)	6.201	309	1.213	564
2b.Non monetary financial assets	--	--	--	--
3. Other	309	47	34	--
4. CURRENT ASSETS (1+2+3)	**10.365**	**1.307**	**1.360**	**673**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	--	--	--	--
7. Other	220	62	--	--
8. NON CURRENT ASSETS (5+6+7)	**220**	**62**	**--**	**--**
9. TOTAL ASSETS (4+8)	**10.585**	**1.369**	**1.360**	**673**
10. Trade payables	(562)	--	(134)	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	(1.229)	(346)	--	--
12b. Non monetary other liabilities	--	--	--	--
13. CURRENT LIABILITIES (10+11+12)	**(1.791)**	**(346)**	**(134)**	**--**
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)	**(1.791)**	**(346)**	**(134)**	**--**
19. Net assets / liability position of off-balance derivative instruments (19a+19b)	--	--	--	--
19a. Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	--	--	--	--
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	--	--	--	--
20. Net foreign currency assets (liabilities) position (9+18+19)	**8.794**	**1.023**	**1.226**	**673**
21. Monetary items net foreign currency assets/(liabilities) position (=1+2a+5+6a+10+11+12a+14+15+16a) (IFRS 7.b23)	**8.265**	**914**	**1.192**	**673**
22. Total fair value of foreign currency hedge	--	--	--	--
23. The amount for the hedged portion foreign currency assets	--	--	--	--
24. The amount for the hedged portion of foreign currency liabilities	--	--	--	--

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

NOTE 22 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign Currency Position	**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	--	--	--	--
3. Other	18	5	--	--
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 assets / liability position of off-balance derivative instruments (19a+19b)	--	--	--	--
19a. Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	--	--	--	--
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	--	--	--	--
20. Net foreign currency assets (liabilities) position (9+18+19)	**(6.024)**	**(1.187)**	**(499)**	**110**
21. Monetary items net foreign currency assets/(liabilities) position (=1+2a+5+6a+10+11+12a+14+15+16a) (IFRS 7.b23)	**(6.042)**	**(1.192)**	**(499)**	**109**
22. Total fair value of foreign currency hedge	**--**	**--**	**--**	**--**
23. The amount for the hedged portion foreign currency assets	**--**	**--**	**--**	**--**
24. The amount for the hedged portion of foreign currency liabilities	**--**	**--**	**--**	**--**

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

NOTE 23 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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

Foreign Currency Sensitivity Table	**30 September 2017**	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	325	(325)
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**325**	**(325)**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	500	(500)
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**500**	**(500)**
In case 10% appreciation of other currency against TL		
7- Net assets/liabilities in other foreign currency	2	(2)
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	**2**	**(2)**
TOTAL (3 + 6 + 9)	**827**	**(827)**

Foreign Currency Sensitivity Table	**31 December 2016**	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation 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- Diğer döviz net varlık / yükümlülüğü	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 23 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

30 September 2017	**Loans and receivables**	**Derivative financial instruments**	**Financial liabilities at amortised cost**	**Carrying value**	***Note***
Financial assets					
Cash and cash equivalents	30.261	--	--	30.261	*5*
Trade receivables (including due from related parties)	51.557	--	--	51.557	*7*
Other receivables	501	--	--	501	
Financial liabilities					
Bank borrowings	--	--	24.600	24.600	*6*
Trade payables (including due to related parties)	--	--	651.799	651.799	*7*
Other payables	--	--	1.505	1.505	

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)	56.449	--	--	56.449	*7*
Other receivables	556	--	--	556	
Financial liabilities					
Trade payables (including due to related parties)	--	--	716.783	716.783	*7*
Other payables	--	--	1.198	1.198	

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.

NOTE 23- FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

Financial instruments at fair value:

As at 30 September 2017 and 31 December 2016, there is no derivative financial instrument which is recognised at fair value.

NOTE 24 – EVENTS AFTER THE REPORTING PERIOD

None.