TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2016 WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

(Convenience Translation of Independent Auditors' Review Report Originally Issued in Turkish)

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Teknosa İç ve Dış Ticaret A.Ş. and its subsidiary *(together will be referred as the "Group")* as of 31 March 2016 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Ömer Tanrıöver
Partner

Istanbul, 2 May 2016

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TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

REVIEWED CONDENSED CONSOLIDATED BALANCE SHEET AT 31 MARCH 2016

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

	Notes	Current period (Reviewed) 31 March 2016	Prior period (Audited) 31 December 2015
ASSETS			
Current Assets		**722,709**	**855,808**
Cash and cash equivalents	5	69,928	305,285
Trade receivables	6	66,965	51,203
Trade receivables from related parties	*4*	*1,819*	*2,008*
Trade receivables from third parties	*6*	*65,146*	*49,195*
Inventories	7	558,418	480,611
Prepaid expenses	8	20,761	15,677
Assets related to current tax		-	460
Derivative instruments	21	-	360
Other current assets	13	6,637	2,212
Non current assets		**170,240**	**175,467**
Other receivables		651	671
Investment property		10,510	10,557
Property, plant and equipment	9	93,892	98,760
Intangible assets		24,337	21,857
Prepaid expenses	8	103	149
Deferred tax assets		28,598	24,570
Other non current assets	13	12,149	18,903
TOTAL ASSETS		**892,949**	**1,031,275**

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

REVIEWED CONDENSED CONSOLIDATED BALANCE SHEET AT 31 MARCH 2016

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

	Notes	Current period (Reviewed) 31 March 2016	Prior period (Audited) 31 December 2015
LIABILITIES			
Current liabilities		**835,044**	**950,447**
Trade payables	6	770,188	870,728
Trade payables to related parties	*4*	*1,132*	*4,332*
Trade payables to third parties	*6*	*769,056*	*866,396*
Payables related to employee benefits	10	16,529	8,896
Other payables		979	1,014
Other payables to third parties		*979*	*1,014*
Deferred income	8	27,697	25,286
Short term provisions		9,468	20,018
Provisions related to employee benefits	*10*	*6,545*	*17,630*
Other short term provisions	*11*	*2,923*	*2,388*
Derivative instruments	21	6,868	-
Other current liabilities	13	3,315	24,505
Non current liabilities		**5,070**	**4,306**
Provisions for employment termination benefits	10	5,070	4,306
EQUITY		**52,835**	**76,522**
Share capital		110,000	110,000
Adjustment to share capital		6,628	6,628
Restricted reserves		8,704	8,704
Other reserves		3	3
Items that will be reclassified subsequently to profit or loss		(5,494)	288
Cash flow hedge reserve		*(5,494)*	*288*
Items that will not be reclassified subsequently to profit or loss		(2,184)	(1,984)
Losses on remeasurement of defined benefit plans		*(2,184)*	*(1,984)*
Retained earnings		(47,117)	47,456
Net (loss) for the period		(17,705)	(94,573)
TOTAL LIABILITIES AND EQUITY		**892,949**	**1,031,275**

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

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD ENDED 1 JANUARY – 31 MARCH 2016

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

	Notes	Current period (Reviewed) 1 January - 31 March 2016	Prior period (Reviewed) 1 January - 31 March 2015
Revenue	14	774,733	665,649
Cost of sales (-)	14	(636,336)	(542,791)
GROSS PROFIT		**138,397**	**122,858**
Marketing expenses (-)	15	(123,437)	(108,639)
General administrative expenses (-)	15	(12,296)	(14,140)
Other income from operating activities	16	4,294	3,188
Other expenses from operating activities (-)	16	(21,935)	(10,741)
OPERATING LOSS		**(14,977)**	**(7,474)**
Income from investing activities	17	746	124
OPERATING LOSS BEFORE FINANCIAL EXPENSE		**(14,231)**	**(7,350)**
Finance expenses (-)	18	(6,006)	(5,365)
LOSS BEFORE TAX		**(20,237)**	**(12,715)**
Tax income		**2,532**	**2,418**
- Current tax expense		-	-
- Deferred tax income		2,532	2,418
NET LOSS FOR THE PERIOD		**(17,705)**	**(10,297)**
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that will not be reclassified subsequently to profit or loss		**(200)**	**(134)**
Loss on remeasurement of defined benefit plans		*(250)*	*(167)*
Deferred tax income		*50*	*33*
Items that will be reclassified subsequently to profit or loss		**(5,782)**	-
Loss on cash flow hedges		*(7,228)*	
Deferred tax income		*1,446*	
TOTAL COMPREHENSIVE LOSS		**(23,687)**	**(10,431)**
Loss per share (1000 shares)		(0.016)	(0.009)

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

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIOD ENDED 1 JANUARY – 31 MARCH 2016

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

	Share capital	Adjustment to share capitals	Restricted reserves	Other reserves	Items that will not be reclassified subsequently to profit or loss	Items that will be reclassified subsequently to profit or loss	Accumulated profit / (loss)	Net profit / (loss)	Total equity
Prior period									
Balance at 1 January 2015	110,000	6,628	7,161	3	(471)	-	85,034	(19,975)	188,380
Transfer to retained earnings	-	-	1,543	-	-	-	(21,518)	19,975	-
Dividends (*)	-	-	-	-	-	-	(16,060)	-	(16,060)
Total comprehensive loss	-	-	-	-	(134)	-	-	(10,297)	(10,431)
Balance at 31 March 2015	110,000	6,628	8,704	3	(605)	-	47,456	(10,297)	161,889
Current Period									
Balance at 1 January 2016	110,000	6,628	8,704	3	(1,984)	288	47,456	(94,573)	76,522
Transfer to retained earnings	-	-	-	-	-	-	(94,573)	94,573	-
Total comprehensive loss	-	-	-	-	(200)	(5,782)	-	(17,705)	(23,687)
Balance at 31 March 2016	110,000	6,628	8,704	3	(2,184)	(5,494)	(47,117)	(17,705)	52,835

(*) Dividends paid by the Group per share with a TRY 1 nominal value is TRY 0,40.

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

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 1 JANUARY – 31 MARCH 2016

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

	Notes	Current period (Reviewed) 1 January- 31 March 2016	Prior period (Reviewed) 1 January- 31 March 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period		(17,705)	(10,297)
Adjustments:			
Interest expense, credit cards' commissions and other financing expenses	18	6,006	5,365
Depreciation and amortization expenses	15	9,617	10,401
Retirement pay provision		1,290	590
Unused vacation provision	10	954	269
Allowance for doubtful receivables		52	992
Custom duty and penalty expenses	12	5,157	-
Loss arising from disposal of tangible and intangible assets		1,190	1,459
Impairment / (reversal of impairment) of tangible and intangible assets		(1,486)	(2,431)
Provision for impairment on inventories	7	2,413	89
Interest income	17	(746)	(124)
Tax income		(2,532)	(2,418)
		4,210	**3,895**
Changes in working capital:			
(Increase) / decrease in trade receivables and other receivables		(16,003)	(4,385)
(Increase) / decrease in trade receivables from related partie	4	189	1,771
Decrease / (increase) in inventories	7	(80,220)	87,679
(Increase) / (decrease) in other current assets and prepaid expenses	8.13	(9,464)	(5,935)
(Increase) in other non current assets		1,617	(913)
Decrease / (increase) in trade payables	6	(97,340)	(249,848)
Increase / (decrease) in trade payables to related parties	4	(3,200)	(5,431)
Decrease in other current liabilities	13	(11,095)	(4,422)
Increase / (decrease) in other non current liabilities		445	(35)
Retirement pay provison paid		(1,221)	(722)
Unused vacation provision paid		(591)	-
Restructring provision paid		(10,538)	-
Taxes paid		-	(1,427)
Cash used in operations		**(223,211)**	**(179,773)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets	9	(5,054)	(7,471)
Purchase of intangible assets		(1,832)	(907)
Interest received	17	746	124
Cash used in investment activities		**(6,140)**	**(8,254)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest, credit card commissions and other finance costs paid	18	(6,006)	(5,365)
Bank loans used		-	24,372
Dividend payments		-	(16,060)
Cash provided from financing activities		**(6,006)**	**2,947**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(235,357)**	**(185,080)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**305,285**	**192,998**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**69,928**	**7,918**

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

NOTE 1 – ORGANIZATIONS AND OPERATIONS OF THE COMPANY

Teknosa İç ve Dış Ticaret A.Ş., ("Teknosa" or "The Company") was established at 9 March 2000, and is engaged in retail sales of consumer electronics through its stores and website "www.teknosa.com" and air conditioners and white goods through its dealers. The Company's parent is Hacı Ömer Sabancı Holding A.Ş. and it is ultimately controlled by Sabancı Family members. The number of personnel of the Company is 3,308 as of 31 March 2016 (31 December 2015: 3,619). The Company has been registered in Turkey and operates under the laws and regulations of Turkish Commercial Codes.

The Company operates in Turkey in 271 stores with 167,714 square meters retail space as of 31 March 2016 (31 December 2015: 171,622 square meters, 278 stores). The registered office address of the company is as follows.

Batman Sokak Teknosa Plaza No:18
Sahrayıcedit - İstanbul

The Company's shares have been traded in Borsa Istanbul ("BIST") since 2012.

Subsidiary

Kliksa İç ve Dış Ticaret A.Ş., which is owned 100% by the Company, started to be fully consolidated from 31 December 2011 due to plans of extensions of its operations. The main operation of the subsidiary is to sell electronic equipment and electronic marketplace management through the website "www.kliksa.com". By the end of 2015, it has been decided to apply omni-channel strategy in line with the growth plan of the Company in e-trading channel which is developing rapidly. As a result of this decision, Kliksa İç ve Dış Ticaret A.Ş. will continue its operations as an outlet channel with the name of Kliksa.com starting from 11 January 2016 under the umbrella of TeknoSA by benefiting from its experience and power, besides continuing to be a subsidiary which is 100% owned by TeknoSA. The Company become merged with Kliksa İç ve Dış Ticaret A.Ş. based on board decision dated 6 April 2016 through dissolving without liquidation by transferring all of its assets and liabilities fully and applied for Capital Market Board on 7 April 2016 for the merger.

Teknosa and its subsidiary will be referred to as the "Group".

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

2.1 Basis of presentation of consolidated the financial statements

Statement of Compliance

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

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

The Group prepared its consolidated financial statements for the interim period ended as at 31 March 2016 in accordance with TAS 34 "Interim Financial Statements".

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

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

2.1 Basis of presentation of consolidated financial statements (Continued)

Statement of Compliance (Continued)

The Group's condensed consolidated financial statements do not contain all necessary explanations and disclosures presented in the year-end financial statements, therefore, should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

Presentation and Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira, which is the functional and presentation currency of the Group.

Preparation of Financial Statements in Hyperinflationary Periods

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

Comparative Information and Restatement of the Prior Periods' Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the consolidated financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes. In the current period, the Group made some reclassifications for the conformity with the format issued by CMB on 7 June 2013. The details of the reclassifications are as follows:

- In 2015, the Group presented allowances for doubtful trade receivables amounting to TRY 992 under other operating expenses in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified these amounts to general administrative expenses.

- In 2015, the Group presented marketing income amounting to TRY 324 under other operating income in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified this amount to marketing expenses.

- In 2015, the Group presented marketing expenses amounting to TRY 63 under general administrative expenses in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified this amount to marketing expenses.

- In 2015, the Group presented marketing income amounting to TRY 167 under other general administrative expenses in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified this amount to marketing expenses.

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

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

2.1 Basis of presentation of consolidated financial statements (Continued)

Comparative Information and Restatement of the Prior Periods' Financial Statements (Continued)

The related reclassifications have no effect on the statement of profit or loss.

2.2 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively and prior year financial statements are restated. The Group did not have any changes in its accounting policies in the current year.

2.3 Changes in the Accounting Estimates and Errors

If changes in the accounting estimates are related to only one period, they are applied in the current year; if they are related to the future period, they are applied both in current and future periods. The Group has no significant changes to the accounting estimates in the current year.

2.4 Adoption of New and Revised Standards and Interpretations

a) Amendments to TAS affecting amounts reported and/or disclosures in the consolidated financial statements

None.

b) New and revised TAS applied with no material effect on the consolidated financial statements

Amendments to TAS 16 and TAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	*Agriculture: Bearer Plants* [1]
Amendments to TFRS 11 and TFRS 1	*Accounting for Acquisition of Interests in Joint operations* [1]
Annual Improvements to 2011-2013 Cycle	*TFRS 1* [2]
Amendments to TAS 1	*Disclosure Initiative* [2]
Annual Improvements to 2012-2014 Cycle	*TFRS 5, TFRS 7, TAS 34, TAS 19* [2]
Amendments to TAS 27	*Equity Method in Separate Financial Statements* [2]
Amendments to TFRS 10 and TAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [2]
Amendments to TFRS 10, TFRS 12 and TAS 28	*Investment Entities: Applying the Consolidation Exception* [2]
TFRS 14	*Regulatory Deferral Accounts* [2]

[1] Effective for annual periods beginning on or after 31 December 2015.
[2] Effective for annual periods beginning on or after 1 January 2016.

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

2.4 Adoption of New and Revised Standards and Interpretations (Continued)

b) New and revised TAS applied with no material effect on the consolidated financial statements (continued)

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

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

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 *Agriculture: Bearer Plants*

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

Amendments to TFRS 11 and TFRS 1 *Accounting for Acquisition of Interests in Joint operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvements 2011-2013 Cycle

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

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

2.4 Adoption of New and Revised Standards and Interpretations (Continued)

b) New and revised TAS applied with no material effect on the consolidated financial statements (continued)

Amendments to TAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

Amendments to TAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to TFRS 10 and TAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10, TFRS 12 and TAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

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

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

2.4 Adoption of New and Revised Standards and Interpretations (Continued)

b) New and revised TAS applied with no material effect on the consolidated financial statements (continued)

Amendments to TFRS 10, TFRS 12 and TAS 28 *Investment Entities: Applying the Consolidation Exception* (continued)

- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 *Regulatory Deferral Accounts*

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

TFRS 14 also led to amendments in related provisions of TFRS 1.

c) <u>New and revised TAS in issue but not yet effective</u>

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

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

TFRS 9 *Financial Instruments*

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

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

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

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

2.5 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying the entity's accounting policies, the Group Management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

Useful life of tangible and intangible assets

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Intangible assets are amortized by straight-line depreciation method over the estimate of their useful lives. Useful lives rely on the best estimates of the management, review every balance sheet date and if needed adjustments are proposed.

Tangible assets with finite useful lives that are acquired separately are carried at cost less accumulated depreciation and accumulated impairment losses. Operational performances are evaluated separately as on the basis of each stores. The decision of going bust a store depends on generated discounted cash flow.

Impairment of tangible and intangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Group evaluates its operational performance on the basis of each store and decides to end stores operations upon stores' discounted cash flow projections. Stores' cash flow projections prepared according Group's five year long term plans considering remaining economic useful life of the stores. In this context, Group presumes impairments of leasehold improvements on the stores in which Group is the lessee, considering of the stores continuity. The Group have not booked a provision for loss on sale of tangible assets as at 31 March 2016 (The Group have revised its strategy regarding Kliksa.com which will continue its operations as an outlet channel of Teknosa.com in 2015. Therefore, the Group booked a provision for loss on sale of tangible assets for investments made for website of subsidiary amounting TRY 26,099 as of 31 December 2015).

Decrease in value of stocks (NRV)

In accordance with the accounting policy, inventories are stated at the net realizable value. The Group accounts for the products whose sales price is below its cost by the lower of cost or net realizable value. NRV report is prepared by comparing the recorded cost value at the end of the month and sales prices obtained from price lists.

Products with low sales performance is provided for on the cost values based on the previous years' sales performances. Aging of stocks in process are made at certain date ranges. Impairment is calculated for every type of category with different periods and different rates from aging by balance sheet date. The Group has booked provision for inventories amounting TRY 10,870 as of 31 March 2016 (31 December 2015: TRY 11,175).

Inactivity for white goods is calculated over 180 days and above, whereas 90 days and above for other goods.

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

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

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

Income accruals

As of 31 December 2015, the Group has various ongoing lawsuits opened against accrued taxes and penalties by the controllers of the Undersecretariat of Customs as a result of the examination of a certain portion of the air conditioner imports from previous years under two separate investigations.

The Group Management has reversed the receivable paid previous periods amounting to TRY 5,157 which arises as a result of the opinions of the legal counsels and customs experts and based on the fact that there are previous lawsuits finalized in favor of the Group and accounted under other operating expense TRY 5,157 (Note 13).

Deferred tax assets

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

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

NOTE 3 – SEGMENT REPORTING

The Group began applying TFRS 8 starting from 2009 and determined the reportable segments based on the management reports which are regularly reviewed by the Chief Operating Decision Maker ("CODM").

CODM in order to take the decisions relating to the allocation of resources to the operating segments and to evaluate the performance of these segments reviews the results by product category and geographical allocation. The Group's product categories are as follows: electronics retail sales and air conditions, cash registers and white goods through dealers. These sales are also reviewed as stores and dealers (İklimsa). In addition, assets and liabilities are not included since they are not regularly presented to and reviewed by the Group's CODM.

The total equity of Kliksa, the subsidiary of the Group, amounts to TRY 22,822 as of 31 March 2016 (31 December 2015: TRY (52,743)), net sales for the three-month period ended as of 31 March 2016 amounts to TRY 14,539 (31 March 2015: TRY 47,384) and net loss amounts to TRY 4,435 (31 March 2015: TRY 7,305 net loss).

The details of the segment reporting are as follows:

	1 January - 31 March 2016		
	Stores	Dealer Group	Total
Total segment income	745,550	29,183	774,733
Income from third party customers	**745,550**	**29,183**	**774,733**
Profit before interest, severance pay, depreciation and amortization (EBITDA)	**7,668**	**5,902**	**13,570**

	1 January - 31 March 2015		
	Stores	Dealer Group	Total
Total segment income	648,637	17,012	665,649
Income from third party customers	**648,637**	**17,012**	**665,649**
Profit before interest, severance pay, depreciation and amortization (EBITDA)	**9,461**	**1,610**	**11,071**

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

NOTE 3 – SEGMENT REPORTING (Continued)

Reconciliation of EBITDA to "Profit before tax" is as follows:

	1 January 31 March 2016	1 January- 31 March 2015
EBITDA for reportable segments	**13,570**	**11,071**
Depreciation	(9,617)	(10,401)
Financial expenses	(6,006)	(5,365)
Income from investing activities	746	124
Other expenses - net	(17,640)	(7,554)
Provision for employee termination benefits	(1,290)	(590)
(Loss) / Profit before tax	**(20,237)**	**(12,715)**

NOTE 4 – RELATED PARTY DISCLOSURES

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

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

	31 March 2016	
	Receivables	Payables
	Current	Current
Balances with related parties	Trading	Trading
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	1,228	(97)
Akbank T.A.Ş.	449	-
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	50	-
Akçansa Çimento San. ve Tic. A.Ş.	37	-
Brisa Bridgestone Sabancı Lastık San.Ve Tic.A.Ş.	19	-
Philip Morris Sabancı Pazarlama Satış A.Ş.	18	-
Aksigorta A.Ş.	9	(556)
Avivasa Emeklilik ve Hayat A.Ş.	5	-
Çimsa Çimento San.ve Tic.A.Ş.	3	-
Temsa Global Sanayi ve Ticaret A.Ş.	1	-
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	-	(479)
	1,819	(1,132)

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	31 December 2015	
	Receivables	Payables
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1,468	(177)
Akbank T.A.Ş.	435	(11)
Avivasa Emeklilik ve Hayat A.Ş.	47	(2)
Philip Morris Sabancı Pazarlama Satış A.Ş.	30	-
Akçansa Çimento San. ve Tic. A.Ş.	18	-
Aksigorta A.Ş.	10	(47)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	(3,099)
Enerjisa Enerji A.Ş. and its subsidiaries	-	(954)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	-	(15)
Hacı Ömer Sabancı Holding A.Ş.	-	(27)
	2,008	(4,332)

Deposit accounts in Akbank T.A.Ş.	31 March 2016	31 December 2015
Demand deposit	653	842
Time deposit	-	101,660
	653	102,502

Credit card slip receivables in Akbank T.A.Ş.	31 March 2016	31 December 2015
Credit card slip receivables	1,259	1,991
	1,259	1,991

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 March 2016		
Transactions with related parties	Sales	Rent expense	Other income / (expenses)
Akbank T.A.Ş.	746	-	-
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	269	(1,254)	(104)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	158	-	(1,555)
Avivasa Emeklilik ve Hayat A.Ş.	141	-	(279)
Aksigorta A.Ş.	73	-	(602)
Akçansa Çimento San. ve Tic. A.Ş.	69	-	-
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	44	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş.	43	-	-
Brisa Bridgestone Sabancı Lastık San.Ve Tic.A.Ş.	17	-	-
Çimsa Çimento San.ve Tic.A.Ş.	8	-	-
Kordsa Global End. İplik ve Kordbezi San. A.Ş.	1	-	-
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	-	-	(1,375)
H.Ö. Sabancı Holding A.Ş.	-	(5)	-
	1,569	(1,259)	(3,915)

	1 January - 31 March 2015		
Transactions with related parties	Sales	Rent expense	Other income / (expenses)
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	2,509	(1,454)	(13)
Avivasa Emeklilik ve Hayat A.Ş.	292	-	35
Akbank T.A.Ş.	198	-	-
Akçansa Çimento San. ve Tic. A.Ş.	106	-	-
Aksigorta A.Ş.	68	-	(632)
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	6	-	(1,534)
Philip Morris Sabancı Pazarlama Satış A.Ş.	1	-	-
H.Ö. Sabancı Holding A.Ş.	-	(5)	-
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	-	(737)
	3,180	(1,459)	(2,881)

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

The Company's key management has been identified as the general managers and directors. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the interim periods ended 31 March 2016 and 2015 are as follows:

	1 January – 31 March 2016	1 January – 31 March 2015
Salaries and other benefits	1,874	1,662
	1,874	1,662

NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 March 2016 and 31 December 2015 are as follows:

	31 March 2016	31 December 2015
Cash	1,164	1,908
Demand deposit	1,524	2,218
Time deposit	60,952	288,046
Credit card slip receivables	6,288	13,113
	69,928	305,285

As of 31 March 2016, Group's time deposits include Turkish Liras with the average interest rates of 12.38%. (31 December 2015: All time deposits of the Group are Turkish Liras with average interest rates of 13.44%).

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 31 March 2016 and 31 December 2015 are as follows:

Current trade receivables	31 March 2016	31 December 2015
Trade receivables	56,486	44,577
Due from related parties (Note 4)	1,819	2,008
Notes receivables	13,664	10,485
Allowance for doubtful receivables (-)	(5,004)	(5,867)
	66,965	51,203

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 March 2016 and 31 December 2015, the Group has hold the below given guarantees for its checks and notes.

	31 March 2016	31 December 2015
Letters of guarantees received	16,613	9,110
Mortgages	5,740	3,588
	22,353	12,698

The fair value of mortgages that the Group has the right to sell or re-pledge the collateral and on whether the transferor has defaulted is TRY 22,353. (31 December 2015: TRY 12,698).Group have no any sold or give re-pledge guarantees or mortgages from balance date.

Current trade payables	31 March 2016	31 December 2015
Trade payables	751,627	859,297
Trade payables to related parties (Note 4)	1,132	4,332
Expense accruals	17,429	7,099
	770,188	870,728

As of 31 March 2016, the Group net-off income accruals related to suppliers in the amount of TRY 58,268 with its trade payables (31 December 2015: TRY 43,769).

NOTE 7 – INVENTORIES

The details of the inventories as of 31 March 2016 and 31 December 2015 are presented below:

Inventories:	31 March 2016	31 December 2015
Trade goods	575,832	496,076
Goods in transit	2,524	2,060
Provision of impairment on inventories (-)	(19,938)	(17,525)
	558,418	480,611

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

NOTE 7 – INVENTORIES (Continued)

Provision of impairment on inventories:	1 January-31 March 2016	1 January-31 March 2015
Opening balance at 1 January	(17,525)	(4,488)
Charge for the year	(2,413)	(89)
Closing balance at 31 March	(19,938)	(4,577)

NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of other current assets as of 31 March 2016 and 31 December 2015 are presented below:

Short-term Prepaid Expenses	31 March 2016	31 December 2015
Order advances given for inventory purchase	10,192	6,368
Short term prepaid expenses	10,569	9,309
	20,761	15,677

Long-term Prepaid Expenses	31 March 2016	31 December 2015
Long term prepaid expenses	103	149
	103	149

The details of the deferred revenue as of 31 March 2016 and 31 December 2015 are presented below:

Short-term Deferred Revenue	31 March 2016	31 December 2015
Order advances received	26,996	24,666
Other	701	620
	27,697	25,286

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

NOTE 9 – PROPERTY, PLANT AND EQUIPMENTS

The movement of tangible assets and related accumulated depreciation as of 31 March 2016 is as below:

	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost value								
Opening balance at 1 January 2016	3,444	6,323	359	66	85,363	123,722	3,011	222,288
Additions	-	-	-	-	1,403	1,875	1,776	5,054
Disposals	-	-	-	-	(885)	(2,946)	-	(3,831)
Transfer from construction in progress (*)	-	-	-	-	337	844	(3,086)	(1,905)
Closing balance at 31 March 2016	3,444	6,323	359	66	86,218	123,495	1,701	221,606
Accumulated depreciation and impairment losses								
Opening balance at 1 January 2016	-	(810)	(265)	(38)	(55,926)	(66,489)	-	(123,528)
Current charge	-	(29)	(10)	(2)	(2,617)	(3,898)	-	(6,556)
Disposals	-	-	-	-	791	1,885	-	2,676
(Provision for) / reversal of impairment, net (**)	-	191	2	1	(333)	(354)	187	(306)
Closing balance at 31 March 2016	-	(648)	(273)	(39)	(58,085)	(68,856)	187	(127,714)
Net book value at 31 March 2016	3,444	5,675	86	27	28,133	54,639	1,888	93,892

(*) The investment amounting TRY 1,905 has been made for intangible assets as of 31 March 2016.

(**) Impairment calculated for tangible fixed assets is TRY 192 as of 31 March 2016. Reversal of impairment amount is TRY 498 as of 31 March 2016.

Depreciation and amortization expenses amounting to TRY 6,256 (2015: TRY 6,793) are included in marketing expenses and TRY 3,361 (2015: TRY 3,608) are included in general administrative expenses.

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENTS (Continued)

The movement of tangible assets and related accumulated depreciation as of 31 March 2015 is as below:

	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost value								
Opening balance at 1 January 2015	3,444	6,321	443	98	82,521	120,897	10,022	223,746
Additions	-	2	-	-	916	1,216	5,337	7,471
Disposals	-	-	-	-	(803)	(3,215)	-	(4,018)
Transfer from construction in progress (*)	-	-	-	-	1,104	329	(4,576)	(3,143)
Closing balance at 31 March 2015	3,444	6,323	443	98	83,738	119,227	10,783	224,056
Accumulated depreciation and impairment losses								
Opening balance at 1 January 2015	-	(697)	(308)	(61)	(48,734)	(55,685)	-	(105,485)
Current charge	-	(29)	(10)	(3)	(3,075)	(4,127)	-	(7,244)
Disposals	-	-	-	-	884	1,675	-	2,559
(Provision for) / reversal of impairment, net (**)	-	-	-	-	(96)	2,527	-	2,431
Closing balance at 31 March 2015	-	(726)	(318)	(64)	(51,021)	(55,610)	-	(107,739)
Net book value at 31 March 2015	3,444	5,597	125	34	32,717	63,617	10,783	116,317

(*) The investment amounting TRY 3,143 has been made for intangible assets as of 31 March 2015.

(**) Impairment calculated for tangible fixed assets is TRY 863 as of 31 March 2015. Reversal of impairment amount is TRY 3,294 as of 31 March 2015.

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

NOTE 10 – PAYABLES RELATED TO EMPLOYEE BENEFITS

The details of the due to employees as of 31 March 2016 and 31 December 2015 are presented below:

	31 March 2016	31 December 2015
Accrued salaries	8,329	78
Social security premiums payable	8,200	8,818
	16,529	8,896

The details of the provisions related to employee benefits as of 31 March 2016 and 31 December 2015 are presented below:

Short-term provisions	31 March 2016	31 December 2015
Sales personnel premium provision	2,039	3,733
Unused vacation provision	2,754	2,391
Restructuring provision (*)	565	11,104
Administrative personnel premium provision	1,187	402
	6,545	17,630

(*) 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 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 its subsidiary Kliksa A.Ş. for the aim of improving its financial performance. Hence, the Group provided provision for anticipated expenses.

Long-term provisions	31 March 2016	31 December 2015
Retirement pay provision	4,406	4,087
Administrative personnel premium provision	664	219
	5,070	4,306

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

NOTE 11 – PROVISIONS

The details of the other current provisions as of 31 March 2016 and 31 December 2015 are presented below:

	31 March 2016	31 December 2015
Litigation provisions (*)	1,981	1,520
Other	942	868
	2,923	2,388

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

NOTE 12 – COMMITMENTS

Operating lease agreements

The Group leases various retail spaces as sales area, offices and warehouses by entering into operating lease agreements. These periods of the rent agreements vary between 1-10 years. The lease agreements require the payment of a certain monthly rent or a portion of the revenue of the leasehold store. The lease agreements are basically drawn up in TRY, Euro and USD and the rentals are increased by using the rentals are increased by using the inflation rate or a rate close to the inflation rate during the period of the agreement. According to the present code of obligations, as long as the lessee does not terminate the agreement lease agreements can only be cancelled by the lessor due to irregularities.

The minimum lease payments projected according to the agreements of the operating leases are as follows:

	31 March 2016	31 December 2015
Less than 1 year	56,712	67,272
Between 1-5 years	615,500	678,737
More than 5 years	101,581	131,730
	773,793	877,739

NOTE 12 – COMMITMENTS (Continued)

Custom duty and penalty

Some of the previous years' air conditioner imports of the company are being investigated by Customs Consultancy Inspector within two different investigations as of 31 March 2016. As a result of these investigations, the Custom Consultancy Inspectors identifications caused 135 lawsuits amounting to TRY 9,045 as a result of tax operations penalties. 24 of these 135 lawsuits amounting TRY 2,527 is still continuing.

TRY 4,108 resulted in the Company's favour and appealed for correction. 24 lawsuits with the total amount of TRY 2,527 have ended in the opposite of the Group at the appealing stage but request of revision of decision has been made. This request has been rejected by State Council in 2016. After this stage, Tax Court will report if the State Council is going to follow the revision of decision. As of the date of for the period ended 31 March 2016 there is not any declaration reached to the Group. Due to the continuance of the judgement the Group has not recorded provision for TRY 2,527 and its penalty for the period ended 31 March 2016.

40 lawsuits with the total amount of TRY 1,510 resulted in the Company's favor but the administration of customs requested the revision of decision. This request has been approved by State Council in 2016 and there is no monetary obligation risk for the Group anymore.

However, the second wave of investigations amounting TRY 4,937 resulted partially in Company's favor, the part amounting to TRY 1,925 resulted in Company's favor and 11 lawsuits with the total amount of TRY 47 is not risky anymore. 24 lawsuits with the total amount of TRY 1,877 resulted in the Company's favor but the administration of customs requested the revision of decision. This request has been approved by State Council in 2016 and there is no monetary obligation risk for the Group anymore. An amount of TRY 3,012 ended in the opposition of the Group. Appeal for correction has been made but the reversal has been in the favor of the administration of the customs. The Group has requested the revision of decision. This request has been rejected by State Council in 2016 and decision became precise.

The Group Management has reversed receivables paid in previous periods amounting to TRY 5,157 which arises as a result of the opinions of the legal counsels and customs experts and based on the fact that there are previous lawsuits finalized in favor of the Group and accounted under other expenses from operating activities (Note 13).

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

NOTE 12 – COMMITMENTS (Continued)

Competition Board prosecution

The Competition Board resolved to commence a prosecution by the resolution no. 15-08/108 dated February 19, 2015 against the Company and other companies mentioned in the resolution requesting their statement in order to predict if the Law no. 4054 is violated or not. By the resolution no. 15-28/319-M dated July 7, 2015 of the inquiry has been extended as consumer electronics and has been consolidated with former investigation. Also for this investigation statement has been mentioned.

By the resolution no. 15-28/319-M dated July 7, 2015 Kliksa İç ve Dış Ticaret A.Ş. has been included to the investigation and mentioned their statement identically.

The prosecution decisions resolved by the Competition Board are bought to the public attention after the pronouncement of the decision to the undertakings or association of undertakings against which the prosecution is started. These explanations which are made within the scope of informing of the public about the decisions of the Competition Board cannot be interpreted as that the undertakings or association of undertakings against which the prosecution is started have violated Law no. 4054 or they are punished or will be punished. The Company executes its transactions within the Competition Law and other regulations.

Guarantee, pledge, mortgage position

Guarantees, pledges and mortgages ("GPM") given by the Group as of 31 March 2016 and 31 December 2015 are as follows:

CPMs given by the Group	31 March 2016			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	55,280	7,944	5,219	16,028
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	55,280	7,944	5,219	16,028
B. GPM given on behalf of subsidiaires that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
Total	**55,280**	**7,944**	**5,219**	**16,028**

The proportion of the GPM given on behalf of third parties except for the GPM given in the name of the Company's own legal personality to total equity as of 31 March 2016 is 0% (31 December 2015: %0).

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

NOTE 12 – COMMITMENTS (Continued)

Guarantee, pledge, mortgage position (Continued)

	31 December 2015			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	54,601	7,717	5,059	16,088
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	54,601	7,717	5,059	16,088
B. GPM given on behalf of subsidiaires that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
Total	**54,601**	**7,717**	**5,059**	**16,088**

NOTE 13 – OTHER ASSETS AND LIABILITIES

The details of the other current and non-current assets as of 31 March 2016 and 31 December 2015 are presented below:

Other current assets	31 March 2016	31 December 2015
Advances given	4,375	2,121
Deferred VAT	1,834	-
Other current assets	428	91
	6,637	2,212

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

NOTE 13 – OTHER ASSETS AND LIABILITIES (Continued)

Other non-current assets	31 March 2016	31 December 2015
Deferred VAT	12,149	13,746
Income accrual (Note 12)	-	5,157
	12,149	18,903

The details of the other current liabilities as of 31 March 2016 and 31 December 2015 are presented below:

Other current liabilities	31 March 2016	31 December 2015
VAT payable	-	20,519
Other expense accruals (*)	2,708	3,113
Other liabilities and obligations	607	873
	3,315	24,505

(*) Other expense accruals consist mainly of rent expense provisions, provisions for insurance policies, distributor turnover premium accruals and other various provisions.

NOTE 14 – REVENUE

The details sales and cost of sales for the three month periods ended 31 March 2016 and 2015 are stated below:

Sales income (net)	1 January – 31 March 2016	1 January – 31 March 2015
Consumer electronics retail sales	745,550	648,637
Sales of air conditioner, cash registers and white goods	29,183	17,012
	774,733	665,649

Cost of sales		
Cost of goods sold	(634,868)	(541,978)
Installation and warranty expenses	(1,468)	(813)
	(636,336)	(542,791)

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

NOTE 15 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

The details of marketing and administrative expenses for the three-month periods ended 31 March 2016 and 2015 are stated below:

Marketing expenses	1 January – 31 March 2016	1 January – 31 March 2015
Rent expenses	(44,051)	(38,112)
Personnel expenses	(41,986)	(33,489)
Advertising and promotion expenses	(13,839)	(13,624)
Depreciation and amortization expenses	(6,256)	(6,793)
Transportation expenses	(5,680)	(6,099)
Energy, fuel and water expenses	(3,822)	(3,621)
Maintenance expenses	(2,064)	(1,712)
Consulting expenses	(1,729)	(1,821)
Communication expenses	(399)	(288)
Travel expenses	(317)	(293)
Other expenses	(3,294)	(2,787)
	(123,437)	(108,639)

Administrative expenses	1 January – 31 March 2016	1 January – 31 March 2015
Depreciation and amortization expenses	(3,361)	(3,608)
IT expenses	(2,331)	(2,052)
Rent expenses	(1,758)	(1,426)
Personnel expenses	(2,765)	(4,825)
Consulting expenses	(1,054)	(298)
Travel expenses	(183)	(103)
Energy, fuel and water expenses	(157)	(138)
Maintenance expenses	(79)	(104)
Allowance for doubtful receivable expense	(52)	(992)
Other expenses	(556)	(594)
	(12,296)	(14,140)

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

NOTE 16 – OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the three-month periods ended 31 March 2016 and 2015 are stated below:

Other income from operating activities	1 January – 31 March 2016	1 January – 31 March 2015
Foreign exchange gains	1,684	1,361
Discount income	1,189	628
Gain on sale of fixed assets	383	885
Deductions from personnel	238	169
Gift vouchers income	9	61
Other income	791	84
	4,294	3,188

Other expenses from operating activities (-)	1 January – 31 March 2016	1 January – 31 March 2015
Discount expenses	(12,382)	(6,563)
Litigation expenses	(6,380)	(775)
Foreign exchange losses	(2,239)	(1,594)
Commission expenses	(52)	(204)
Donation and aids	(5)	(5)
Taxes, duties, charges and funds	(4)	(4)
Store evacuation expenses	-	(859)
Other expenses	(873)	(737)
	(21,935)	(10,741)

NOTE 17 – INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the three-month periods ended 31 March 2016 and 2015 are stated below:

	1 January – 31 March 2016	1 January – 31 March 2015
Interest income	746	124
	746	124

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

NOTE 18 – FINANCE EXPENSES

The details of finance expenses for the three-month periods ended 31 March 2016 and 2015 are stated below:

	1 January – 31 March 2016	1 January – 31 March 2015
Credit card commission expenses	(3,255)	(2,226)
Interest and commission expenses	(2,568)	(2,261)
Guarantee letters commission expenses	(118)	(38)
Credit card promotion expenses	(63)	(808)
Other finance expenses	(2)	(32)
	(6,006)	(5,365)

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

Foreign currency risk

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

The risk is monitored in regular meetings held by the Board of Directors. The idle cash is evaluated in foreign exchange risk in order to minimize the foreign exchange risk resulted from balance sheet items. The Group also preserves itself from the foreign currency risk by the limited use of forwards, one of derivative instruments, if necessary.

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

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

Foreign Currency Position	31 March 2016			
	Equivalents of TRY	USD	Euro	Other
1. Trade receivable	4,900	1,048	601	109
2a. Monetary financial assets	18	4	2	-
2b. Non monetary financial assets	-	-	-	-
3. Other	11,091	380	3,115	843
4. CURRENT ASSETS	16,009	1,432	3,718	952
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non monetary financial assets	-	-	-	-
7. Other	21	-	-	843
8. NON CURRENT ASSETS	21	-	-	843
9. TOTAL ASSETS	16,030	1,432	3,718	1,795
10. Trade payables	379	94	35	-
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	2,114	338	360	-
12b. Non monetary other liabilities	-	-	-	-
13. CURRENT LIABILITIES	2,493	432	395	-
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	2,493	432	395	-
19. Net assets / liability position of off-balance derivative instruments (19a-19b)	-	-	-	-
19.a Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	-	-	-	-
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	-	-	-	-
20. Net foreign currency assets (liabilities) position (9-18)	13,537	1,000	3,323	1,795
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	2,425	620	208	109
22. Total fair value of foreign currency hedge	(6,868)	(1,416)	(890)	-
23. The amount for the hedged portion foreign curreny assets	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-

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

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

Foreign Currency Position	**31 December 2015**			
	Equivalents of TRY	**USD**	**Euro**	**Other**
1. Trade receivable	1,916	658	-	109
2a. Monetary financial assets	61	8	12	-
2b. Non monetary financial assets	-	-	-	-
3. Other	8,106	524	2,068	442
4. CURRENT ASSETS	10,083	1,190	2,080	551
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non monetary financial assets	-	-	-	-
7. Other	11	-	-	442
8. NON CURRENT ASSETS	11	-	-	442
9. TOTAL ASSETS	10,094	1,190	2,080	993
10. Trade payables	4,588	824	690	-
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	986	339	-	-
12b. Non monetary other liabilities	-	-	-	-
13. CURRENT LIABILITIES	5,574	1,163	690	-
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	5,574	1,163	690	-
19. Net assets / liability position of off-balance derivative instruments (19a-19b)	-	-	-	-
19.a Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	-	-	-	-
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	-	-	-	-
20. Net foreign currency assets (liabilities) position (9-18+19)	4,520	27	1,390	993
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(3,597)	(497)	(678)	109
22. Total fair value of foreign currency hedge	360	34	82	-
23. The amount for the hedged portion foreign curreny assets	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-

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

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

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

Foreign Currency Sensitivity Table	**31 March 2016**	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TRY		
1 - USD Dollars net assets/liabilities	176	(176)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1 +2)	176	(176)
In case 10% appreciation of EUR against TRY		
4- EUR net assets/liabilities	67	(67)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	67	(67)
In case 10% appreciation of other currency against TRY		
7- Other currency net assets/liabilities	1	(1)
8- Amount hedged for other currency risk (-)	-	-
9 - Other currency assets net effect (7+8)	1	(1)
TOTAL (3 + 6 + 9)	244	(244)

Foreign Currency Sensitivity Table	**31 December 2015**	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TRY	(46)	46
1 - USD Dollars net assets/liabilities	-	-
2- Amount hedged for USD risk (-)	(46)	46
3- USD net effect (1 +2)		
In case 10% appreciation of EUR against TRY	(215)	215
4 - EUR net assets/liabilities	-	-
5 - Amount hedged for EUR risk (-)	(215)	215
6- EUR net effect (4+5)		
In case 10% appreciation of other currency against TRY	-	-
7- Other currency net assets/liabilities	(1)	1
8- Amount hedged for other currency risk (-)	-	-
9 - Other currency assets net effect (7+8)	(1)	1
TOTAL (3 + 6 + 9)	(262)	262

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

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

31 March 2016	Loans and receivables	Derivative financial instruments	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	69,928	-	-	69,928	5
Trade receivables (including trade receivables from related parties)	66,965	-	-	66,965	6
Other receivables (including trade receivables from related parties)	651	-	-	651	
Financial liabilities					
Trade payables (including trade payables to related parties)	-	-	770,188	770,188	6
Other payables (including trade payables to related parties)	-	-	979	979	
Derivative financial instruments	-	6,868	-	6,868	21

31 December 2015	Loans and receivables	Derivative financial instruments	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	305,285	-	-	305,285	5
Trade receivables (including trade receivables from related parties)	51,203	-	-	51,203	6
Other receivables (including trade receivables from related parties)	671	-	-	671	
Derivative financial instruments		360	-	-	21
Financial liabilities					
Trade payables (including trade payables to related parties)	-	-	870,728	870,728	6
Other payables (including trade payables to related parties)	-	-	1,014	1,014	
Derivative financial instruments	-	-	-	-	

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

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

Fair value estimation:

Financial instruments measured at fair value in the balance sheet reclassified as flows:

Level 1: Quoted prices in markets for assets and liabilities

Level 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in market.

Level 3: Inputs for the assets and liabilities where observable market data cannot be determined.

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

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

Financial Assets / Financial Liabilities	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs and fair value
	31 March 2016	31 December 2015				
Foreign currency forward contracts	(6,868)	360	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates,are discounted by a discount rate which indicates other parties credit risk.	-	-

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

NOTE 21 – DERIVATIVE INSTRUMENTS

	31 March 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	-	6,868	360	-
Short-term	-	(6,868)	360	-
Long-term	-	-	-	-
	-	(6,868)	360	-

The Group utilizes foreign currency forward contracts with the maturities of 2016 in order to manage its risk on exchange rates differences for the 9 months following balance sheet date (2015: 12 months). At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	31 March 2016	31 December 2015
Foreign currency forward contracts	139,057	149,643
	139,057	149,643

As of 31 March 2016, the fair value of the Group's foreign currency forward contracts is estimated to be approximately TRY 6,868 as liability (2015: TRY 360 as asset). 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 TRY 6,868 has been accounted for under equity (2015: TRY 360).

NOTE 22 – EVENTS AFTER THE REPORTING PERIOD

The Group closed four stores in Çanakkale, Antalya, Ankara and İzmir between the balance sheet date and 27 April 2016. In addition, the Group revised stores in İstanbul between the balance sheet date and 27 April 2016. The related changes decreased the retail sales area of the Group by 2,250 meter squares.

The Company become merged with Kliksa İç ve Dış Ticaret A.Ş. based on board decision dated 6 April 2016 through dissolving without liquidation by transferring all of its assets and liabilities fully and applied for Capital Market Board in 7 April 2016 for the merger.