

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY-  
30 JUNE 2016 WITH THE INDEPENDENT  
AUDITOR'S REVIEW REPORT**

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

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

**REPORT ON REVIEW OF CONDENSED INTERIM  
FINANCIAL INFORMATION**

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

*Introduction*

We have reviewed the accompanying condensed statement of financial position of Teknosa İç ve Dış Ticaret A.Ş. (will be referred as the "Company") as of 30 June 2016 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Company management is responsible for the preparation and presentation of this interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this 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 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 interim financial information is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".

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



Ömer Tanrıöver, SMMM  
Partner

İstanbul, 5 August 2016

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<b>CONTENTS</b>	<b>PAGE</b>
<b>CONDENSED BALANCE SHEET</b> .....	<b>1-2</b>
<b>CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>3</b>
<b>CONDENSED STATEMENT OF CHANGES IN EQUITY</b> .....	<b>4</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b> .....	<b>5</b>
<b>NOTES TO THE CONDENSED FINANCIAL STATEMENTS</b> .....	<b>6-40</b>
NOTE 1 ORGANIZATION AND OPERATIONS OF THE COMPANY .....	6
NOTE 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS .....	6-14
NOTE 3 SEGMENT REPORTING .....	15-16
NOTE 4 RELATED PARTY DISCLOSURES .....	17-20
NOTE 5 CASH AND CASH EQUIVALENTS .....	20
NOTE 6 TRADE RECEIVABLES AND PAYABLES .....	20-21
NOTE 7 INVENTORIES .....	21
NOTE 8 PREPAID EXPENSES AND DEFERRED REVENUE .....	22
NOTE 9 PROPERTY, PLANT AND EQUIPMENTS AND INTANGIBLE ASSETS .....	23-25
NOTE 10 PAYABLES RELATED TO EMPLOYEE BENEFITS .....	26
NOTE 11 PROVISIONS .....	27
NOTE 12 COMMITMENTS .....	27-30
NOTE 13 OTHER ASSETS AND LIABILITIES .....	30-31
NOTE 14 REVENUE .....	31
NOTE 15 MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES ...	32
NOTE 16 OTHER OPERATING INCOME AND EXPENSES .....	33
NOTE 17 INCOME FROM INVESTING ACTIVITIES .....	34
NOTE 18 FINANCE EXPENSES .....	34
NOTE 19 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS .....	34-37
NOTE 20 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) .....	38-39
NOTE 21 DERIVATIVE INSTRUMENTS .....	40
NOTE 22 EVENTS AFTER THE REPORTING PERIOD .....	40

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****REVIEWED CONDENSED BALANCE SHEET AT 30 JUNE 2016**

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

		<b>Current period (Reviewed) 30 June 2016</b>	<b>Prior period (Audited) 31 December 2015</b>
	<b>Notes</b>		
<b>ASSETS</b>			
<b>Current Assets</b>		<b>671,133</b>	<b>855,808</b>
Cash and cash equivalents	5	81,571	305,285
Trade receivables	6	70,587	51,203
<i>Trade receivables from related parties</i>	4	2,870	2,008
<i>Trade receivables from third parties</i>	6	67,717	49,195
Inventories	7	485,899	480,611
Prepaid expenses	8	27,633	15,677
Assets related to current tax		-	460
Derivative instruments	21	-	360
Other current assets	13	5,443	2,212
<b>Non current assets</b>		<b>185,395</b>	<b>175,467</b>
Other receivables		655	671
Investment property		10,196	10,557
Property, plant and equipment	9	115,943	98,760
Intangible assets	9	22,777	21,857
Prepaid expenses	8	661	149
Deferred tax assets		35,163	24,570
Other non current assets	13	-	18,903
<b>TOTAL ASSETS</b>		<b>856,528</b>	<b>1,031,275</b>

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**REVIEWED CONDENSED BALANCE SHEET AT 30 JUNE 2016**

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

	Notes	Current period (Reviewed) 30 June 2016	Prior period (Audited) 31 December 2015
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>804,929</b>	<b>950,447</b>
Trade payables	6	727,784	870,728
<i>Trade payables to related parties</i>	4	2,457	4,332
<i>Trade payables to third parties</i>	6	725,327	866,396
Payables related to employee benefits	10	16,994	8,896
Other payables		1,003	1,014
<i>Other payables to third parties</i>		1,003	1,014
Deferred income	8	34,064	25,286
Short term provisions		9,841	20,018
<i>Provisions related to employee benefits</i>	10	5,594	17,630
<i>Other short term provisions</i>	11	4,247	2,388
Derivative instruments	21	4,687	-
Other current liabilities	13	10,556	24,505
<b>Non current liabilities</b>		<b>5,013</b>	<b>4,306</b>
Provisions for employment termination benefits	10	5,013	4,306
<b>EQUITY</b>			
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		(3,750)	288
<i>Cash flow hedge reserve</i>		(3,750)	288
Items that will not be reclassified subsequently to profit or loss		19,825	(1,984)
<i>Losses on remeasurement of defined benefit plans</i>		(2,083)	(1,984)
<i>Gains on revaluation and remeasurement</i>		21,908	-
Retained earnings		(46,767)	47,456
Net loss for the period		(48,057)	(94,573)
<b>TOTAL LIABILITIES</b>		<b>856,528</b>	<b>1,031,275</b>

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**REVIEWED CONDENSED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD ENDED  
1 JANUARY – 30 JUNE 2016**

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

	Notes	Current period (Reviewed) 1 January – 30 June 2016	Current period (Not reviewed) 1 April – 30 June 2016	Prior period (Reviewed) 1 January – 30 June 2015	Prior period (Not reviewed) 1 April – 30 June 2015
Revenue	14	1,577,822	803,089	1,388,980	723,331
Cost of sales (-)	14	(1,313,268)	(676,932)	(1,135,458)	(592,667)
<b>GROSS PROFIT</b>		<b>264,554</b>	<b>126,157</b>	<b>253,522</b>	<b>130,664</b>
Marketing expenses (-)	15	(246,394)	(123,301)	(225,356)	(116,613)
General administrative expenses (-)	15	(25,236)	(13,190)	(29,079)	(15,043)
Other operating income	16	8,569	4,869	8,330	5,142
Other operating expenses (-)	16	(46,396)	(24,461)	(23,645)	(12,904)
<b>OPERATING LOSS</b>		<b>(44,903)</b>	<b>(29,926)</b>	<b>(16,228)</b>	<b>(8,754)</b>
Income from investing activities	17	805	59	380	256
<b>OPERATING LOSS BEFORE FINANCIAL EXPENSE</b>		<b>(44,098)</b>	<b>(29,867)</b>	<b>(15,848)</b>	<b>(8,498)</b>
Finance expenses (-)	18	(14,054)	(8,048)	(11,800)	(6,435)
<b>LOSS BEFORE TAX</b>		<b>(58,152)</b>	<b>(37,915)</b>	<b>(27,648)</b>	<b>(14,933)</b>
Tax income / (expense)		10,095	7,563	5,348	2,930
- Current tax expense		-	-	19	19
- Deferred tax income		10,095	7,563	5,329	2,911
<b>NET LOSS FOR THE PERIOD</b>		<b>(48,057)</b>	<b>(30,352)</b>	<b>(22,300)</b>	<b>(12,003)</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Gain / (loss) on remeasurement of defined benefit plans		21,809	22,009	(125)	9
Gains on revaluation and remeasurement Deferred tax (expense) / income		(124)	126	(156)	11
		23,061	23,061	-	-
		(1,128)	(1,178)	31	(2)
<b>Items that will be reclassified subsequently to profit or loss</b>					
(Loss) / gain on cash flow hedges		(4,038)	1,744	-	-
Deferred tax income / (expense)		(5,047)	2,181	-	-
		1,009	(437)	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(30,286)</b>	<b>(6,599)</b>	<b>(22,425)</b>	<b>(11,994)</b>

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**REVIEWED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 JUNE 2016**

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

	Share capital	Adjustment to share capitals	Restricted reserves	Other reserves	Losses on remeasurement of defined benefit plans	Gains on revaluation and remeasurement	Cash flow hedge reserve	Items that will be reclassified subsequently to profit or loss		Total equity
								Items that will not be reclassified subsequently to profit or loss	Items that will be reclassified subsequently to profit or loss	
<b>Prior period</b>										
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 income	-	-	-	-	(125)	-	-	-	(22,300)	(22,425)
Balance at 30 June 2015	110,000	6,628	8,704	3	(596)	-	-	47,456	(22,300)	149,895
<b>Current Period</b>										
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	-
Effect of changes in accounting policies (Note 2.2)	-	-	-	-	(99)	21,908	(4,038)	350	(48,057)	350
Total comprehensive income	-	-	-	-	(2,083)	21,908	(3,750)	-	(48,057)	(30,286)
Balance at 30 June 2016	110,000	6,628	8,704	3	(2,083)	21,908	(3,750)	(46,767)	(48,057)	46,586

(\*) Dividends paid by the Company per share with a TRY 1 nominal value is TRY 0.15.

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**REVIEWED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 JUNE 2016**

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

	Notes	Current period (Reviewed) 1 January – 30 June 2016	Prior period (Reviewed) 1 January – 30 June 2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before tax		(48,057)	(22,300)
Adjustments:			
Interest expense, credit cards' commissions and other financing expenses	18	14,054	11,800
Depreciation and amortization expenses	15	19,000	20,785
Retirement pay provision		3,293	1,355
Unused vacation provision	10	1,795	407
Allowance for doubtful receivables		439	-
Custom duty and penalty expenses	12	5,157	-
Loss arising from disposal of tangible and intangible assets		4,209	2,382
Reversal of impairment of tangible and intangible assets		(1,834)	(3,268)
Provision for impairment on inventories	7	1,218	547
Revaluation loss from tangible assets and investment property	16	2,890	-
Interest income	17	(805)	(380)
Tax expense		(10,095)	(5,348)
		<u>(8,736)</u>	<u>5,980</u>
<b>Operating cash flows before changes in working capital</b>			
Increase in trade receivables and other receivables		(18,961)	(17,607)
Increase in trade receivables from related parties	4	(862)	(2,593)
(Increase) / decrease in inventories	7	(6,506)	75,372
Increase in other current assets and prepaid expenses		(15,339)	(15,595)
Decrease / increase in other non current assets		13,762	(626)
Decrease in trade payables	6	(141,069)	(73,345)
Decrease in trade payables to related parties	4	(1,875)	(5,520)
(Decrease) / increase in other current liabilities		(7,568)	5,891
Increase / (decrease) in other non current liabilities		271	(66)
		<u>(186,883)</u>	<u>(28,109)</u>
Retirement pay provision paid		(2,981)	(1,518)
Unused vacation provision paid		(1,389)	-
Current tax paid		-	(1,408)
<b>Cash used in operations</b>		<u>(191,253)</u>	<u>(31,035)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible assets	9	(14,524)	(19,430)
Purchase of intangible assets	9	(4,688)	(3,776)
Interest received	17	805	380
<b>Cash used in investment activities</b>		<u>(18,407)</u>	<u>(22,826)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest, credit card commissions and other finance costs paid	18	(14,054)	(11,800)
Dividend payments		-	(16,060)
<b>Cash used in financing activities</b>		<u>(14,054)</u>	<u>(27,860)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<u>(223,714)</u>	<u>(81,721)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<u>305,285</u>	<u>192,998</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><u>81,571</u></u>	<u><u>111,277</u></u>

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



## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

#### NOTE 1 – ORGANIZATIONS AND OPERATIONS OF THE COMPANY

Teknosa İç ve Dış Ticaret A.Ş., (“Teknosa” or “The Company”) was established at 9 March 2000, and is engaged in retail sales of consumer electronics through its stores and website “www.teknosa.com” and air conditioners and white goods through its dealers. The Company’s parent is Hacı Ömer Sabancı Holding A.Ş. and it is ultimately controlled by Sabancı Family members. The number of personnel of the Company is 3,187 as of 30 June 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 become merged with Kliksa İç ve Dış Ticaret A.Ş. which was the 100% subsidiary of the Company in the previous periods based on board decision dated 6 April 2016 through dissolving without liquidation by transferring all of its assets and liabilities fully as of 1 June 2016.

The Company operates in Turkey in 260 stores with 165,329 square meters retail space as of 30 June 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.

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

##### 2.1 Basis of presentation of the financial statements

###### Statement of Compliance

The Company 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 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 Company prepared its financial statements for the interim period ended as at 30 June 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.

The Company’s condensed 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 financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Turkish Lira, which is the functional and presentation currency of the Company.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(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 financial statements (Continued)

###### Preparation of Financial Statements in Hyperinflationary Periods

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

###### Comparative Information and Restatement of the Prior Periods’ Financial Statements

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. In the current period, the Company 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 Company presented marketing expenses amounting TRY 137 under general administrative expenses in the statement of profit or loss and other comprehensive income. In the current year, the Company management reclassified this amount to marketing expenses.
- In 2015, the Company deducted general administrative expenses arises from actuarial loss amounting TRY 250 under marketing expenses in the statement of profit or loss and other comprehensive income. In the current year, the Company management reclassified this amount to general administrative expenses.

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 Company did not have any changes in its accounting policies in the current year except for those explained below.

The Company has started to carry its land and building which are held for investment property as fair value instead of carrying as cost method. According to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, this accounting policy change requires restatement of prior periods’ financial statements. Since this change has not a significant effect on prior periods, the Company did not restate prior periods’ financial statements by considering materiality level for financial statements. In addition, the Company has started to carry its land and building which are stated as property, plant and equipment as fair value instead of carrying as cost method. Due to the first implementation of revaluation of related fixed assets, the change has not been applied retrospectively based on IAS 8, paragraph 17.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

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

##### 2.2 Changes in Accounting Policies (Continued)

Changes in the Company's accounting policies during the current period are as follows;

##### **Investment Property**

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

##### **Property, plant and equipment**

##### Revaluation Method

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

##### 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 Company has no significant changes to the accounting estimates in the current year.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

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

##### 2.4 Adoption of New and Revised Standards and Interpretations

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

None.

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

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

<sup>1</sup> Effective for annual periods beginning on or after 31 December 2015.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

##### **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.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(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 financial statements (continued)

##### **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).

##### **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.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

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#### 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 financial statements (continued)

**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 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 if the subsidiary itself is an investment entity.
- 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.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

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

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

###### c) New and revised TAS in issue but not yet effective

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

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>

###### **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 Company evaluates the effects of these standards, amendments and improvements on the financial statements.

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

###### Critical judgments in applying the Company's accounting policies

In the process of applying the entity's accounting policies, the Company 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.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

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

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

###### *Impairment of tangible and intangible assets*

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. The Company 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 the Company's five year long term plans considering remaining economic useful life of the stores. In this context, the Company presumes impairments of leasehold improvements on the stores in which the Company is the lessee, considering of the stores continuity. The Company have not booked a provision for loss on sale of tangible assets as at 30 June 2016 (The Company have revised its strategy regarding Kliksa.com which will continue its operations as an outlet channel of Teknosa.com in 2015. Therefore, the Company 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 Company 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 Company has booked provision for inventories amounting TRY 11,653 as of 30 June 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.

###### *Income accruals*

As of 30 June 2016, the Company 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 Company Management has reversed the receivable paid in previous periods amounting 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 Company and accounted under other operating expense TRY 5,157 (Note 13).



**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

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**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 Company's accounting policies (Continued)

*Deferred tax assets*

The Company 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 Company has deferred tax assets arising from carried forward tax losses and other temporary differences deductible from its potential future profits. That amount of deferred tax assets which is partly or fully recoverable has been estimated under the current circumstances. During the assessment, due consideration has been given to the future taxable profit projection, potential deadlines for utilization of current period losses, unutilized losses and other tax assets, as well as tax planning strategies which might be adopted where applicable.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

#### NOTE 3 – SEGMENT REPORTING

The Company began applying TFRS 8 starting from 1 January 2009 and determined the reportable segments based on the management reports which are regularly reviewed by the Chief Operating Decision Maker (“CODM”).

CODM in order to take the decisions relating to the allocation of resources to the operating segments and to evaluate the performance of these segments reviews the results by product category and geographical allocation. The Company’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 Company’s CODM.

The details of the segment reporting are as follows:

	1 January - 30 June 2016		
	Retailer	Dealer	Total
Total segment income	1,488,712	89,110	1,577,822
<b>Income from third party customers</b>	<b>1,488,712</b>	<b>89,110</b>	<b>1,577,822</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>(125)</b>	<b>15,342</b>	<b>15,217</b>
	1 January - 30 June 2015		
	Retailer	Dealer	Total
Total segment income	1,332,097	56,883	1,388,980
<b>Income from third party customers</b>	<b>1,332,097</b>	<b>56,883</b>	<b>1,388,980</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>13,363</b>	<b>7,864</b>	<b>21,227</b>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

**NOTE 3 – SEGMENT REPORTING (Continued)**

	<b>1 April - 30 June 2016</b>		
	Retailer	Dealer	Total
Total segment income	743,162	59,927	803,089
<b>Income from third party customers</b>	<b>743,162</b>	<b>59,927</b>	<b>803,089</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>(7,793)</b>	<b>9,440</b>	<b>1,647</b>
	<b>1 April - 30 June 2015</b>		
	Retailer	Dealer	Total
Total segment income	683,460	39,871	723,331
<b>Income from third party customers</b>	<b>683,460</b>	<b>39,871</b>	<b>723,331</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>3,903</b>	<b>6,254</b>	<b>10,157</b>

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

	1 January 30 June 2016	1 April- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2015
EBITDA for reportable segment information	15,217	1,647	21,227	10,157
Depreciation	(19,000)	(9,383)	(20,785)	(10,384)
Finance expenses	(14,054)	(8,048)	(11,800)	(6,435)
Investment income and expenses	805	59	380	256
Other expenses - net	(37,827)	(20,187)	(15,315)	(7,762)
Provision for employee termination benefits	(3,293)	(2,003)	(1,355)	(765)
<b>Loss before tax</b>	<b>(58,152)</b>	<b>(37,915)</b>	<b>(27,648)</b>	<b>(14,933)</b>

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

#### NOTE 4 – RELATED PARTY DISCLOSURES

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

	30 June 2016	
	Receivables	Payables
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1,781	(277)
Akbank T.A.Ş.	614	-
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	187	(1,315)
Hacı Ömer Sabancı Holding A.Ş.	152	-
Akçansa Çimento San. ve Tic. A.Ş.	48	-
Temsa Global Sanayi ve Ticaret A.Ş.	38	-
Avivasa Emeklilik ve Hayat A.Ş.	20	(3)
Philip Morris Sabancı Pazarlama Satış A.Ş.	18	-
Çimsa Çimento Sanayi ve Ticaret A.Ş.	12	-
Enerjisa Enerji A.Ş. ve iştirakleri	-	(835)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	-	(14)
Aksigorta A.Ş.	-	(13)
	<u>2,870</u>	<u>(2,457)</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

**NOTE 4 – RELATED PARTY DISCLOSURES (Continued)**

	31 December 2015	
	Receivables	Payables
	Current	Current
<u>Balances with related parties</u>	<u>Trading</u>	<u>Trading</u>
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)
Hacı Ömer Sabancı Holding A.Ş.	-	(27)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	-	(15)
	<u>2,008</u>	<u>(4,332)</u>
	30 June	31 December
<u>Deposit accounts in Akbank T.A.Ş.</u>	<u>2016</u>	<u>2015</u>
Demand deposit	1,344	842
Time deposit	10,000	101,660
	<u>11,344</u>	<u>102,502</u>
	30 June	31 December
<u>Credit card slip receivables from Akbank T.A.Ş.</u>	<u>2016</u>	<u>2015</u>
Credit card slip receivables	1,651	1,991
	<u>1,651</u>	<u>1,991</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

**NOTE 4 – RELATED PARTY DISCLOSURES (Continued)**

Transactions with related parties	1 January - 30 June 2016			
	Sales	Interest income	Rent expense	Other expenses
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1,894	-	(2,428)	(662)
Akbank T.A.Ş.	1,184	774	-	-
Avivasa Emeklilik ve Hayat A.Ş.	326	-	-	(312)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	158	-	-	(3,222)
H.Ö. Sabancı Holding A.Ş.	129	-	(10)	-
Akçansa Çimento San. ve Tic. A.Ş.	114	-	-	-
Aksigorta A.Ş.	86	-	-	(1,296)
Philip Morris Sabancı Pazarlama Satış A.Ş.	82	-	-	-
Temsa Global Sanayi ve Ticaret A.Ş.	77	-	-	-
Çimsa Çimento Sanayi ve Ticaret A.Ş.	51	-	-	-
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	17	-	-	-
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	1	-	-	-
Enerjisa Enerji A.Ş. ve İştirakleri	-	-	-	(2,522)
	<u>4,119</u>	<u>774</u>	<u>(2,438)</u>	<u>(8,014)</u>

Transactions with related parties	1 January - 30 June 2015			
	Sales	Interest income	Rent expense	Other expenses
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	7,460	-	(2,644)	(249)
Ak Finansal Kiralama A.Ş.	1,579	-	-	-
Akbank T.A.Ş.	594	-	-	-
Avivasa Emeklilik ve Hayat A.Ş.	410	-	-	(455)
Aksigorta A.Ş.	225	-	-	(2,062)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	148	-	-	(5,960)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	146	-	-	-
Akçansa Çimento San. ve Tic. A.Ş.	135	-	-	-
Çimsa Çimento Sanayi ve Ticaret A.Ş.	42	-	-	-
H.Ö. Sabancı Holding A.Ş.	28	-	(35)	(154)
Enerjisa Enerji A.Ş. ve İştirakleri	6	-	-	(2,263)
Philip Morris Sabancı Pazarlama Satış A.Ş.	3	-	-	-
Sabancı Üniversitesi	3	-	-	-
Vista Turizm Ve Seyahat A.Ş.	-	-	-	(5)
Birlas Motor Sporları Oto. San. İml. Ve Tic. Ltd. Şti.	-	-	-	(4)
	<u>10,779</u>	<u>-</u>	<u>(2,679)</u>	<u>(11,152)</u>

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(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 30 June 2016 and 2015 are as follows:

	1 January – 30 June 2016	1 January – 30 June 2015
Salaries and other benefits	3,526	2,829
	<u>3,526</u>	<u>2,829</u>

#### NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
Cash	1,535	1,908
Demand deposit	2,511	2,218
Time deposit	68,635	288,046
Credit card slip receivables	8,890	13,113
	<u>81,571</u>	<u>305,285</u>

As of 30 June 2016, the Company's all of time deposits are comprised of Turkish Liras with the average interest rates of 10.50%. (31 December 2015: All time deposits of the Company are Turkish Liras with average interest rates of 13.44%).

#### NOTE 6 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 30 June 2016 and 31 December 2015 are as follows:

<u>Current Trade Receivables</u>	30 June 2016	31 December 2015
Trade receivables	47,715	44,577
Due from related parties (Note 4)	2,870	2,008
Notes receivables	26,308	10,485
Allowance for doubtful receivables (-)	(6,306)	(5,867)
	<u>70,587</u>	<u>51,203</u>

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

#### NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

As of 30 June 2016 and 31 December 2015, the Company has hold the below given guarantees for its checks and notes.

	30 June 2016	31 December 2015
Letters of guarantees received	25,105	9,110
Mortgages	7,271	3,588
	<u>32,376</u>	<u>12,698</u>

The fair value of mortgages that the Company has the right to sell or re-pledge the collateral and on whether the transferor has defaulted is TRY 32,376. (31 December 2015: TRY 12,698). Company have no any sold or give re-pledge guarantees or mortgages from balance date.

	30 June 2016	31 December 2015
<u>Current Trade Payables</u>		
Trade payables	710,877	859,297
Trade payables to related parties (Note 4)	2,457	4,332
Expense accruals	14,450	7,099
	<u>727,784</u>	<u>870,728</u>

As of 30 June 2016, the Company net-off income accruals related to suppliers in the amount of TRY 73,446 with its trade payables (31 December 2015: TRY 43,769).

#### NOTE 7 – INVENTORIES

The details of the inventories as of 30 June 2016 and 31 December 2015 are presented below:

	30 June 2016	31 December 2015
Trade goods	501,276	496,076
Goods in transit	3,366	2,060
Provision for impairment on inventories (-)	(18,743)	(17,525)
	<u>485,899</u>	<u>480,611</u>

#### Movement of provision of impairment on inventories

	1 January- 30 June 2016	1 January- 30 June 2015
Opening balance at 1 January	(17,525)	(4,488)
Provisions released	(1,218)	(547)
Closing balance at 30 June	<u>(18,743)</u>	<u>(5,035)</u>



TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016

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

**NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE**

The details of other current assets as of 30 June 2016 and 31 December 2015 are presented below:

	30 June 2016	31 December 2015
<i>Short-term Prepaid Expenses</i>		
Order advances given for inventory purchase	14,414	6,368
Short term prepaid expenses	13,219	9,309
	<u>27,633</u>	<u>15,677</u>
	30 June 2016	31 December 2015
<i>Long-term Prepaid Expenses</i>		
Long term prepaid expenses	661	149
	<u>661</u>	<u>149</u>

The details of the deferred revenue as of 30 June 2016 and 31 December 2015 are presented below:

	30 June 2016	31 December 2015
<i>Short-term Deferred Revenue</i>		
Order advances received	32,846	24,666
Other	1,218	620
	<u>34,064</u>	<u>25,286</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

**NOTE 9 – PROPERTY, PLANT AND EQUIPMENTS AND INTANGIBLE ASSETS**

The movement of tangible assets and related accumulated depreciation as of 30 June 2016 is as below:

Cost value	Land	Building	Machinery and equipments			Vehicles	Furniture and fixtures	Leasehold improvements	Construction on progress	Total
			and	equipments						
Opening balance at 1 January 2016	3,444	6,323	359	66	85,363	123,722	3,011	222,288		
Additions	-	-	-	-	1,729	3,499	9,296	14,524		
Disposals	-	-	-	-	(3,113)	(9,091)	-	(12,204)		
Revaluation fund (*)	23,061	-	-	-	-	-	-	23,061		
Provision for impairment (**)	-	(2,890)	-	-	-	-	-	(2,890)		
Transfer from construction on progress (**)	-	-	-	-	1,692	2,860	(6,894)	(2,342)		
Closing balance at 30 June 2016	26,505	3,433	359	66	85,671	120,990	5,413	242,437		
Accumulated depreciation										
Opening balance at 1 January 2016	-	(810)	(265)	(38)	(55,926)	(66,489)	-	(123,528)		
Current charge	-	(56)	(20)	(4)	(5,147)	(7,567)	-	(12,794)		
Disposals	-	-	-	-	2,810	5,220	-	8,030		
Provision for / (reversal of) impairment net (***)	-	-	-	-	120	1,678	-	1,798		
Closing balance at 30 June 2016	-	(866)	(285)	(42)	(58,143)	(67,158)	-	(126,494)		
Net book value at 30 June 2016	26,505	2,567	74	24	27,528	53,832	5,413	115,943		

(\*) The Company's freehold land and building are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and building as at 18 May 2016 were performed by Taşınmaz Değerleme Müşavirlik A.Ş. ("Tadem"), independent valuers not related to the Company. Tadem has been authorized by and a member of CMB, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Gains on revaluation of land used by the Company amounting TL 23,061 has been accounted under gains on revaluation and remeasurement account under equity whereas loss from revaluation of building used by the Company amounting TL 2,890 has been accounted under statement of profit or loss. Revaluation gain and loss for investment property part of the relevant land and building amounting TL 3,754 and TL 4,020 respectively has been accounted under retained earnings (Note 2.2). Fair value of the related land and building is level 2.

(\*\*) The investment amounting TRY 2,342 has been made for intangible assets as of 30 June 2016.

(\*\*\*) Impairment calculated for tangible fixed assets is TRY 792 as of 30 June 2016. Reversal of impairment amount is TRY 2,590 as of 30 June 2016.

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016

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

**NOTE 9 - PROPERTY, PLANT AND EQUIPMENTS AND INTANGIBLE ASSETS (Continued)**

The movement of tangible assets and related accumulated depreciation as of 30 June 2015 is as below:

	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction on progress	Total
<b>Cost value</b>								
Opening balance at 1 January 2015	3,444	6,321	443	98	82,521	120,897	10,022	223,746
Additions	-	-	-	-	2,490	3,075	13,865	19,430
Disposals	-	-	(30)	-	(2,783)	(4,098)	-	(6,911)
Transfer from construction on progress (*)	-	-	-	-	1,909	2,228	(9,901)	(5,764)
Closing balance at 30 June 2015	3,444	6,321	413	98	84,137	122,102	13,986	230,501
<b>Accumulated depreciation</b>								
Opening balance at 1 January 2015	-	(697)	(308)	(61)	(48,734)	(55,685)	-	(105,485)
Current charge	-	(57)	(21)	(5)	(5,586)	(8,202)	-	(13,871)
Disposals	-	-	30	-	2,217	2,282	-	4,529
Provision for / (reversal of) impairment net (**)	-	-	-	-	650	2,618	-	3,268
Closing balance at 30 June 2015	-	(754)	(299)	(66)	(51,453)	(58,987)	-	(111,559)
Net book value at 30 June 2015	3,444	5,567	114	32	32,684	63,115	13,986	118,942

(\*) The investment amounting TRY 5,764 has been made for intangible assets as of 30 June 2015.

(\*\*) Impairment calculated for tangible fixed assets is TRY 537 as of 30 June 2015. Reversal of impairment amount is TRY 3,805 as of 30 June 2015.

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

**NOTE 9 - PROPERTY, PLANT AND EQUIPMENTS AND INTANGIBLE ASSETS (Continued)**

The movements of intangible assets and related accumulated depreciations as of 30 June 2016 and 2015 are as below:

<u>Cost Value</u>	<u>Licenses and Rights</u>	<u>Computer Softwares</u>	<u>Total</u>
Opening balance at 1 January 2016	6,789	60,298	67,087
Additions	154	4,534	4,688
Disposals	(50)	-	(50)
Transfers from construction in progress	184	2,158	2,342
Closing balance at 30 June 2016	<u>7,077</u>	<u>66,990</u>	<u>74,067</u>
<u>Accumulated Amortization</u>			
Opening balance at 1 January 2016	(2,735)	(42,495)	(45,230)
Charge for the year	(74)	(6,037)	(6,111)
Disposals	15	-	15
Provision for impairment losses	50	(14)	36
Closing balance at 30 June 2016	<u>(2,744)</u>	<u>(48,546)</u>	<u>(51,290)</u>
Net book value as of 30 June 2016	<u>4,333</u>	<u>18,444</u>	<u>22,777</u>

Depreciation and amortization expenses amounting to TRY 12,158 (2015: TRY 13,205) are included in marketing expenses and TRY 6,842 (2015: TRY 7,580) are included in general administrative expenses.

<u>Cost Value</u>	<u>Licenses and Rights</u>	<u>Computer Softwares</u>	<u>Total</u>
Opening balance at 1 January 2015	6,516	44,397	50,913
Additions	108	3,668	3,776
Transfers from construction in progress	57	5,707	5,764
Closing balance at 30 June 2015	<u>6,681</u>	<u>53,772</u>	<u>60,453</u>
<u>Accumulated Amortization</u>			
Opening balance at 1 January 2015	(1,438)	(22,310)	(23,748)
Charge for the year	(53)	(6,266)	(6,819)
Closing balance at 30 June 2015	<u>(1,991)</u>	<u>(28,576)</u>	<u>(30,567)</u>
Net book value as of 30 June 2015	<u>4,690</u>	<u>25,196</u>	<u>29,886</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

**NOTE 10 – PAYABLES RELATED TO EMPLOYEE BENEFITS**

The details of the due to employees as of 30 June 2016 and 31 December 2015 are presented below:

	30 June 2016	31 December 2015
Accrued salaries	8,832	78
Social security premiums payable	8,162	8,818
	<u>16,994</u>	<u>8,896</u>

The details of the provisions related to employee benefits as of 30 June 2016 and 31 December 2015 are presented below:

	30 June 2016	31 December 2015
<i>Short-term Provisions</i>		
Unused vacation provision	2,796	2,391
Sales personnel premium provision	1,775	3,733
Administrative personnel premium provision	1,023	402
Restructuring provision(*)	-	11,104
	<u>5,594</u>	<u>17,630</u>

(\*) 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 Kliksa A.Ş. which was the 100% subsidiary of the Company in the previous periods for the aim of improving its financial performance. The Company provided provision for anticipated expenses in financial statements as of 31 December 2015 and reversed realized portions in 2016.

	30 June 2016	31 December 2015
<i>Long-term Provisions</i>		
Retirement pay provision	4,523	4,087
Administrative personnel premium provision	490	219
	<u>5,013</u>	<u>4,306</u>

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

#### NOTE 11 – PROVISIONS

The details of the other current provisions as of 30 June 2016 and 31 December 2015 are presented below:

	30 June 2016	31 December 2015
Litigation provisions (*)	3,330	1,520
Other	917	868
	<u>4,247</u>	<u>2,388</u>

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

#### NOTE 12 – COMMITMENTS

##### *Operating lease agreements*

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

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

	30 June 2016	31 December 2015
Less than 1 year	66,974	67,272
Between 1-5 years	702,617	678,737
More than 5 years	101,853	131,730
	<u>871,444</u>	<u>877,739</u>

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

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#### 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 30 June 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 Company 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 decided to follow the reversing decision. The Company appealed to State Council regarding reversing decision and is awaiting for the result. Due to the continuance of the litigation, the Company has not recorded provision for TRY 2,527 and its penalty for the period ended 30 June 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 Company anymore.

However, the second wave of investigations amounting TRY 4,937 resulted partially in Company's favor, the part amounting 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 Company anymore. An amount of TRY 3,012 ended in the opposition of the Company. Appeal for correction has been made but the reversal has been in the favor of the administration of the customs. The Company has requested the revision of decision. This request has been rejected by State Council in 2016 and decision became precise.

The Company Management has reversed receivables paid in previous periods amounting 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 Company and accounted under other expenses from operating activities (Note 13).

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(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 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. which was the 100% subsidiary of the Company in the previous periods has been included to the investigation and mentioned their statement identically.

The prosecution decisions resolved by the Competition Board are brought 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 Company as of 30 June 2016 and 31 December 2015 are as follows:

CPMs given by the Company	30 June 2016			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	56,245	8,173	5,246	15,785
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>56,245</u>	<u>8,173</u>	<u>5,246</u>	<u>15,785</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
<b>Total</b>	<u><u>56,245</u></u>	<u><u>8,173</u></u>	<u><u>5,246</u></u>	<u><u>15,785</u></u>

The proportion of the GPM given on behalf of third parties except for the GPM given in the name of the Company's own legal personality to total equity as of 30 June 2016 is 0% (31 December 2015: 0%).



TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016

(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	-	-	-	-
	<u>54,601</u>	<u>7,717</u>	<u>5,059</u>	<u>16,088</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation				
	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations				
	-	-	-	-
D. Total amount of other GPM given				
	-	-	-	-
<b>Total</b>	<u><b>54,601</b></u>	<u><b>7,717</b></u>	<u><b>5,059</b></u>	<u><b>16,088</b></u>

NOTE 13 – OTHER ASSETS AND LIABILITIES

The details of the other current and non-current assets as of 30 June 2016 and 31 December 2015 are presented below:

	30 June 2016	31 December 2015
<u><i>Other Current Assets</i></u>		
Advances given	4,863	2,121
Other current assets	580	91
	<u>5,443</u>	<u>2,212</u>
<u><i>Other Non-current Assets</i></u>		
	30 June 2016	31 December 2015
Deferred VAT	-	13,746
Income accrual (Note 12)	-	5,157
	<u>-</u>	<u>18,903</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

**NOTE 13 – OTHER ASSETS AND LIABILITIES (Continued)**

The details of the other current liabilities as of 30 June 2016 and 31 December 2015 are presented below:

<i>Other Current Liabilities</i>	30 June 2016	31 December 2015
VAT payable	5,685	20,519
Other expense accruals (*)	4,067	3,113
Other liabilities and obligations	804	873
	<u>10,556</u>	<u>24,505</u>

(\*) 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 of sales and cost of sales for the six-month periods ended 30 June 2016 and 2015 are stated below:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<i>Sales Income (net)</i>				
Consumer electronics retail sales	1,488,712	743,162	1,332,097	683,460
Sales of air conditioner, cash registers and white goods	89,110	59,927	56,883	39,871
	<u>1,577,822</u>	<u>803,089</u>	<u>1,388,980</u>	<u>723,331</u>
<i>Cost of Sales</i>				
Cost of goods sold	(1,308,623)	(673,755)	(1,132,232)	(590,254)
Installation and warranty expenses	(4,645)	(3,177)	(3,226)	(2,413)
	<u>(1,313,268)</u>	<u>(676,932)</u>	<u>(1,135,458)</u>	<u>(592,667)</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016

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

NOTE 15 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

The details of marketing expenses for the six-month periods ended 30 June 2016 and 2015 are stated below:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<i>Marketing Expenses</i>				
Rent expenses	(88,575)	(44,524)	(77,956)	(39,844)
Personnel expenses	(80,127)	(37,891)	(68,748)	(35,092)
Advertising and promotion expenses	(30,297)	(16,458)	(31,281)	(17,720)
Depreciation and amortization expenses	(12,158)	(5,902)	(13,205)	(6,412)
Transportation expenses	(12,255)	(6,575)	(12,517)	(6,418)
Energy, fuel and water expenses	(7,242)	(3,420)	(7,049)	(3,428)
Maintenance expenses	(4,300)	(2,236)	(3,475)	(1,763)
Consulting expenses	(4,113)	(2,384)	(3,669)	(1,848)
Communication expenses	(682)	(283)	(573)	(285)
Travel expenses	(607)	(290)	(615)	(322)
Other expenses	(6,038)	(3,338)	(6,268)	(3,481)
	<u>(246,394)</u>	<u>(123,301)</u>	<u>(225,356)</u>	<u>(116,613)</u>

The details of administrative expenses for the six-month periods ended 30 June 2016 and 2015 are stated below:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<i>Administrative Expenses</i>				
Depreciation and amortization expenses	(6,842)	(3,481)	(7,580)	(3,972)
Personnel expenses	(6,678)	(4,163)	(9,437)	(4,779)
IT expenses	(4,299)	(1,968)	(4,080)	(2,028)
Rent expenses	(3,386)	(1,628)	(2,938)	(1,512)
Consulting expenses	(1,736)	(682)	(1,822)	(1,524)
Bad debt expense	(439)	(387)	(1,275)	(283)
Travel expenses	(295)	(112)	(239)	(136)
Energy, fuel and water expenses	(251)	(94)	(253)	(115)
Maintenance expenses	(143)	(64)	(205)	(101)
Other expenses	(1,167)	(611)	(1,250)	(593)
	<u>(25,236)</u>	<u>(13,190)</u>	<u>(29,079)</u>	<u>(15,043)</u>

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016

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

NOTE 16 – OTHER OPERATING INCOME AND EXPENSES

The details of other operating income for the six-month periods ended 30 June 2016 and 2015 are stated below:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<i>Other Operating Income</i>				
Discount income	3,829	2,640	2,826	2,198
Foreign exchange gains	2,994	1,310	2,705	1,344
Gains from gift cheques	498	489	256	195
Deductions from personnel	431	193	399	230
Gain on sales of fixed assets	383	-	1,163	278
Other income	434	237	981	897
	<u>8,569</u>	<u>4,869</u>	<u>8,330</u>	<u>5,142</u>

The details of other operating expenses for the six-month periods ended 30 June 2016 and 2015 are stated below:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<i>Other Operating Expenses (-)</i>				
Discount expenses	(23,898)	(11,516)	(16,962)	(10,399)
Litigation expenses	(9,161)	(2,781)	(1,566)	(791)
Foreign exchange losses	(5,476)	(3,237)	(2,562)	(968)
Impairment expense in fair value of fixed assets	(2,890)	(2,890)	-	-
Loss from sale of fixed assets	(2,389)	(2,389)	-	-
Commission expenses	(72)	(20)	(525)	(321)
Donation and aid	(22)	(17)	(134)	(129)
Taxes, duties, charges and funds	(8)	(4)	(22)	(18)
Evacuation expenses of stores	-	-	(859)	-
Other expenses	(2,480)	(1,607)	(1,015)	(278)
	<u>(46,396)</u>	<u>(24,461)</u>	<u>(23,645)</u>	<u>(12,904)</u>

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

#### NOTE 17 –INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the six-month periods ended 30 June 2016 and 2015 are stated below:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<i>Investment Income</i>				
Interest income	805	59	380	256
	<u>805</u>	<u>59</u>	<u>380</u>	<u>256</u>

#### NOTE 18 – FINANCE EXPENSES

The details of finance expenses for the six-month periods ended 30 June 2016 and 2015 are stated below:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Interest and commission expenses	(8,207)	(5,639)	(4,480)	(2,219)
Credit card commission expenses	(5,506)	(2,251)	(5,094)	(2,868)
Guarantee letters commission expenses	(244)	(126)	(80)	(42)
Credit card promotion expenses	(63)	-	(2,075)	(1,267)
Other finance expenses	(34)	(32)	(71)	(39)
	<u>(14,054)</u>	<u>(8,048)</u>	<u>(11,800)</u>	<u>(6,435)</u>

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

##### Foreign currency risk

The Company 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 Company also preserves itself from the foreign currency risk by the limited use of forwards, one of derivative instruments, if necessary.

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

(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	30 June 2016				
	Equivalents of TRY	USD	Euro	GBP	Other
1. Trade receivable	1,184	408	-	-	109
2a. Monetary financial assets	22	1	6	-	-
2b. Non monetary financial assets	-	-	-	-	-
3. Other	12,201	1,364	2,576	-	1
4. CURRENT ASSETS	13,407	1,773	2,582	-	110
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. NON CURRENT ASSETS	-	-	-	-	-
9. TOTAL ASSETS	13,407	1,773	2,582	-	110
10. Trade payables	4,559	992	527	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	2,137	340	360	-	-
12b. Non monetary other liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	6,696	1,332	887	-	-
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	6,696	1,332	887	-	-
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)	6,711	441	1,695	-	110
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(5,490)	(923)	(881)	-	109
22. Total fair value of foreign currency hedge	(4,687)	(578)	(941)	-	-
23. The amount for the hedged portion foreign currency assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

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

**Foreign Currency Position**

	Equivalents of TRY	31 December 2015			
		USD	Euro	GBP	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
<b>4. CURRENT ASSETS</b>	<b>10,083</b>	<b>1,190</b>	<b>2,080</b>	<b>-</b>	<b>551</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	11	-	-	-	442
<b>8. NON CURRENT ASSETS</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>442</b>
<b>9. TOTAL ASSETS</b>	<b>10,094</b>	<b>1,190</b>	<b>2,080</b>	<b>-</b>	<b>993</b>
10. Trade payables	4,588	824	690	-	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	986	339	-	-	-
12b. Non monetary other liabilities	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>5,574</b>	<b>1,163</b>	<b>690</b>	<b>-</b>	<b>-</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>5,574</b>	<b>1,163</b>	<b>690</b>	<b>-</b>	<b>-</b>
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	-	-	-	-	-
<b>20. Net foreign currency assets (liabilities) position (9-18)</b>	<b>4,520</b>	<b>27</b>	<b>1,390</b>	<b>-</b>	<b>993</b>
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 currency assets	-	-	-	-	-
24. The amount for the hedged portion of foreign currency liabilities	-	-	-	-	-

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

(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 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 TRY strengthened / weakened by 10%. During this analysis all other variables held constant.

**Foreign currency sensitivity table**

**30 June 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	(267)	267
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1 +2)</b>	<b>(267)</b>	<b>267</b>
In case 10% appreciation of EUR against TRY		
4 - EUR net assets/liabilities	(282)	282
5 - Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(282)</b>	<b>282</b>
In case 10% appreciation of other currency against TRY		
7- Other currency net assets/liabilities	-	-
8- Amount hedged for other currency risk (-)	-	-
<b>9 - Other currency assets net effect (7+8)</b>	<b>-</b>	<b>-</b>
<b>TOTAL (3 + 6)</b>	<b>(549)</b>	<b>549</b>

**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		
1 - USD Dollars net assets/liabilities	(46)	46
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1 +2)</b>	<b>(46)</b>	<b>46</b>
In case 10% appreciation of EUR against TRY		
4 - EUR net assets/liabilities	(215)	215
5 - Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(215)</b>	<b>215</b>
In case 10% appreciation of other currency against TRY		
7- Other currency net assets/liabilities	(1)	1
8- Amount hedged for other currency risk (-)	-	-
<b>9 - Other currency assets net effect (7+8)</b>	<b>(1)</b>	<b>1</b>
<b>TOTAL (3 + 6 + 9)</b>	<b>(262)</b>	<b>262</b>



**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

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

<u>30 June 2016</u>	Loans and receivables	Derivative financial instruments	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>					
Cash and cash equivalents	81,571	-	-	81,571	5
Trade receivables ( including trade receivables from related parties;	70,587	-	-	70,587	6
Other receivables ( including trade receivables from related parties);	655	-	-	655	
<u>Financial liabilities</u>					
Trade payables ( including trade payables to related parties)	-	-	727,784	727,784	6
Other payables ( including trade payables to related parties)	-	-	1,003	1,003	
Derivative financial instruments	-	4,687	-	4,687	21

<u>31 December 2015</u>	Loans and receivables	Derivative financial instruments	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>					
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	-	360	21
<u>Financial liabilities</u>					
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	

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

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

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

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

Financial Assets / Financial Liabilities	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs and fair value
	30 June 2016	31 December 2015				
Foreign currency forward contracts	(4,687)	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.	-	-

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

#### NOTE 21 – DERIVATIVE INSTRUMENTS

	30 June 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	-	4,687	360	-
Short-term	-	(4,687)	360	-
Long-term	-	-	-	-
	-	(4,687)	360	-

The Company utilizes foreign currency forward contracts with the maturities of 2016 in order to manage its risk on exchange rates differences for the 6 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 Company is committed are as follows:

	30 June	31 December
	2016	2015
Foreign currency forward contracts	109,669	149,643
	109,669	149,643

As of 30 June 2016, the fair value of the Company's foreign currency forward contracts is estimated to be approximately TRY 4,687 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 4,687 has been accounted for under equity (2015: TRY 360).

#### NOTE 22 – EVENTS AFTER THE REPORTING PERIOD

The Company closed thirty one stores between the balance sheet date and 5 August 2016. In addition, the Company revised 1 store in Gaziantep between the balance sheet date and 5 August 2016. The related changes decreased the retail sales area of the Company by 15,258 meter squares.

The Company moved its head office to "Barbaros Mahallesi, Mor Sümbül Sok. No:7/3F 1-18 Nida Kule Ataşehir Güney, Posta Kodu 34746 Ataşehir / İstanbul" after the balance sheet date.