

**TEKNOSA İÇ VE DİŐ TİCARET A.Ő.**

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

**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 September 2016 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-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**



H. Erdem Selçuk  
Partner

Istanbul, 31 October 2016

| <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>6-39</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 FINANCIAL LIABILITIES .....  | 20          |
| NOTE 7 TRADE RECEIVABLES AND PAYABLES .....   | 21          |
| NOTE 8 INVENTORIES.....   | 22          |
| NOTE 9 PREPAID EXPENSES AND DEFERRED REVENUE.....   | 22          |
| NOTE 10 PROPERTY, PLANT AND EQUIPMENTS AND INTANGIBLE ASSETS .....                                | 23-25       |
| NOTE 11 PAYABLES RELATED TO EMPLOYEE BENEFITS .....   | 26          |
| NOTE 12 PROVISIONS.....   | 27          |
| NOTE 13 COMMITMENTS.....  | 28-29       |
| NOTE 14 OTHER ASSETS AND LIABILITIES .....  | 30          |
| NOTE 15 REVENUE .....   | 30          |
| NOTE 16 MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES ...                                | 31          |
| NOTE 17 OTHER OPERATING INCOME AND EXPENSES .....   | 32          |
| NOTE 18 INCOME FROM INVESTING ACTIVITIES .....  | 33          |
| NOTE 19 FINANCE EXPENSES .....  | 33          |
| NOTE 20 EARNINGS / LOSS PER SHARE .....   | 33          |
| NOTE 21 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS.....                         | 33-36       |
| NOTE 22 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) ..... | 37-38       |
| NOTE 23 DERIVATIVE INSTRUMENTS .....  | 39          |
| NOTE 24 EVENTS AFTER THE REPORTING PERIOD .....   | 39          |

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

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

|   |              | <b>Current period<br/>(Reviewed)<br/>30 September<br/>2016</b> | <b>Prior period<br/>(Audited)<br/>31 December<br/>2015</b> |
|---|--------------|--|--|
|   | <b>Notes</b> |  |  |
| <b>ASSETS</b>                                 |              |  |  |
| <b>Current Assets</b>                         |              | <b>435,435</b>   | <b>855,808</b>   |
| Cash and cash equivalents                     | 5            | 8,872  | 305,285  |
| Trade receivables                             | 7            | 61,026   | 51,203   |
| <i>Trade receivables from related parties</i> | 4            | 1,640  | 2,008  |
| <i>Trade receivables from third parties</i>   | 7            | 59,386   | 49,195   |
| Inventories                                   | 8            | 340,439  | 480,611  |
| Prepaid expenses                              | 9            | 12,636   | 15,677   |
| Assets related to current tax                 |              | -  | 460  |
| Derivative instruments                        | 23           | -  | 360  |
| Other current assets                          | 14           | 12,462   | 2,212  |
| <b>Non current assets</b>                     |              | <b>201,320</b>   | <b>175,467</b>   |
| Other receivables                             |              | 643  | 671  |
| Investment property                           |              | 10,196   | 10,557   |
| Property, plant and equipment                 | 10           | 103,038  | 98,760   |
| Intangible assets                             | 10           | 21,977   | 21,857   |
| Prepaid expenses                              | 9            | 619  | 149  |
| Deferred tax assets                           |              | 64,847   | 24,570   |
| Other non current assets                      | 14           | -  | 18,903   |
| <b>TOTAL ASSETS</b>                           |              | <b>636,755</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.**

**CONDENSED BALANCE SHEET AT 30 SEPTEMBER 2016**

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

|  | Notes | Current period<br>(Reviewed)<br>30 September<br>2016 | Prior period<br>(Audited)<br>31 December<br>2015 |
|--|-------|--|--|
| <b>LIABILITIES</b>   |       |  |  |
| <b>Current liabilities</b>   |       | <b>705,107</b>                                       | <b>950,447</b>                                   |
| Financial liabilities  | 6     | 68,800   | -  |
| Trade payables   | 7     | 512,756  | 870,728  |
| <i>Trade payables to related parties</i>                           | 4     | 1,638  | 4,332  |
| <i>Trade payables to third parties</i>                             | 7     | 511,118  | 866,396  |
| Payables related to employee benefits                              | 11    | 7,778  | 8,896  |
| Other payables   |       | 1,036  | 1,014  |
| <i>Other payables to third parties</i>                             |       | 1,036  | 1,014  |
| Deferred income  | 9     | 26,869   | 25,286   |
| Short term provisions  |       | 65,540   | 20,018   |
| <i>Provisions related to employee benefits</i>                     | 11    | 5,027  | 17,630   |
| <i>Other short term provisions</i>                                 | 12    | 60,513   | 2,388  |
| Derivative instruments   | 23    | 888  | -  |
| Other current liabilities  | 14    | 21,440   | 24,505   |
| <b>Non current liabilities</b>                                     |       | <b>4,698</b>   | <b>4,306</b>                                     |
| Provisions for employment termination benefits                     | 11    | 4,698  | 4,306  |
| <b>EQUITY</b>  |       | <b>(73,050)</b>                                      | <b>76,522</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     |       | (710)  | 288  |
| <i>Cash flow hedge reserve</i>                                     |       | (710)  | 288  |
| Items that will not be reclassified subsequently to profit or loss |       | 19,866   | (1,984)  |
| <i>Losses on remeasurement of defined benefit plans</i>            |       | (2,042)  | (1,984)  |
| <i>Gains on revaluation and remeasurement</i>                      |       | 21,908   | -  |
| Retained earnings  |       | (46,767)   | 47,456   |
| Net loss for the period  |       | (170,774)  | (94,573)   |
| <b>TOTAL LIABILITIES</b>   |       | <b>636,755</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.**

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

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

|   | Notes | Current period<br>(Reviewed)<br>1 January –<br>30 September<br>2016 | Current period<br>(Not reviewed)<br>1 July –<br>30 September<br>2016 | Prior<br>period<br>(Reviewed)<br>1 January –<br>30 September<br>2015 | Prior<br>period<br>(Not reviewed)<br>1 July –<br>30 September<br>2015 |
|---|-------|---|--|--|---|
| Revenue   | 15    | 2,269,182   | 691,360  | 2,202,174  | 813,194   |
| Cost of sales (-)   | 15    | (1,937,306)   | (624,038)  | (1,797,381)  | (661,923)   |
| <b>GROSS PROFIT</b>   |       | <b>331,876</b>  | <b>67,322</b>  | <b>404,793</b>   | <b>151,271</b>  |
| Marketing expenses (-)  | 16    | (356,239)   | (109,845)  | (351,316)  | (125,960)   |
| General administrative expenses (-)   | 16    | (36,101)  | (10,865)   | (43,211)   | (14,132)  |
| Other operating income  | 17    | 12,221  | 3,652  | 16,596   | 8,266   |
| Other operating expenses (-)  | 17    | (141,615)   | (95,219)   | (38,790)   | (15,145)  |
| <b>OPERATING LOSS</b>   |       | <b>(189,858)</b>  | <b>(144,955)</b>   | <b>(11,928)</b>  | <b>4,300</b>  |
| Income from investing activities  | 18    | 828   | 23   | 1,700  | 1,320   |
| <b>OPERATING LOSS BEFORE FINANCIAL<br/>EXPENSE</b>                            |       | <b>(189,030)</b>  | <b>(144,932)</b>   | <b>(10,228)</b>  | <b>5,620</b>  |
| Finance expenses (-)  | 19    | (22,293)  | (8,239)  | (16,613)   | (4,813)   |
| <b>LOSS BEFORE TAX</b>  |       | <b>(211,323)</b>  | <b>(153,171)</b>   | <b>(26,841)</b>  | <b>807</b>  |
| Tax income / (expense)  |       | 40,549  | 30,454   | 5,127  | (221)   |
| - Current tax expense   |       | -   | -  | (1)  | (20)  |
| - Deferred tax income   |       | 40,549  | 30,454   | 5,128  | (201)   |
| <b>NET LOSS FOR THE PERIOD</b>  |       | <b>(170,774)</b>  | <b>(122,717)</b>   | <b>(21,714)</b>  | <b>586</b>  |
| <b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>                                    |       |   |  |  |   |
| <b>Items that will not be reclassified subsequently<br/>to profit or loss</b> |       |   |  |  |   |
| Gain / (loss) on remeasurement of<br>defined benefit plans                    |       | 21,850  | 41   | (41)   | 84  |
| Gains on revaluation and remeasurement  |       | (73)  | 51   | (51)   | 105   |
| Deferred tax (expense) / income   |       | 23,061  | -  | -  | -   |
|   |       | (1,138)   | (10)   | 10   | (21)  |
| <b>Items that will be reclassified subsequently to<br/>profit or loss</b>     |       |   |  |  |   |
| (Loss) / gain on cash flow hedges   |       | (998)   | 3,040  | -  | -   |
| Deferred tax income / (expense)   |       | (1,248)   | 3,799  | -  | -   |
|   |       | 250   | (759)  | -  | -   |
| <b>TOTAL COMPREHENSIVE LOSS</b>   |       | <b>(149,922)</b>  | <b>(119,636)</b>   | <b>(21,755)</b>  | <b>670</b>  |
| (Loss) / earnings per share (1000 shares)                                     | 20    | (1.55)  | (1.12)   | (0.20)   | 0.01  |

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 SEPTEMBER 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 | Items that will be reclassified subsequently to profit or loss | Accumulated profit / (loss) | Net profit / (loss) | Total equity |
|--|---------------|------------------------------|---------------------|----------------|--|--|-------------------------|--|--|-----------------------------|---------------------|--------------|
|  |               |                              |                     |                |  |  |                         |  |  |                             |                     |              |
| <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               | -             | -                            | -                   | -              | (41)   | -                                      | -                       | -  | -  | -                           | (21,714)            | (21,755)     |
| Balance at 30 September 2015             | 110,000       | 6,628                        | 8,704               | 3              | (512)  | -                                      | -                       | -  | -  | 47,456                      | (21,714)            | 150,565      |
| <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)                               | -             | -                            | -                   | -              | -  | -                                      | -                       | -  | 350  | 350                         | -                   | 350          |
| Total comprehensive income               | -             | -                            | -                   | -              | (58)   | 21,908                                 | (998)                   | -  | -  | -                           | (170,774)           | (149,922)    |
| Balance at 30 September 2016             | 110,000       | 6,628                        | 8,704               | 3              | (2,042)  | 21,908                                 | (710)                   | -  | -  | (46,767)                    | (170,774)           | (73,050)     |

(\*) 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.**

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

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

|  | Notes | Current period<br>(Reviewed)<br>1 January –<br>30 September<br>2016 | Prior period<br>(Reviewed)<br>1 January –<br>30 September<br>2015 |
|--|-------|---|---|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                               |       |   |   |
| Loss before tax  |       | (170,774)   | (21,714)  |
| Adjustments:   |       |   |   |
| Interest expense, credit cards' commissions and other financing expenses | 19    | 22,293  | 16,613  |
| Depreciation and amortization expenses                                   | 16    | 28,010  | 31,314  |
| Provisions related to employee benefits                                  |       | 5,464   | 2,408   |
| Allowance for doubtful receivables                                       | 16    | 629   | 1,757   |
| Provisions for litigations and penalties                                 | 12.13 | 8,407   | -   |
| Reorganization provisions  |       | 41,715  | -   |
| Loss arising from disposal of tangible and intangible assets             | 10    | 16,445  | 3,098   |
| Reversal of impairment of tangible and intangible assets                 | 10    | 2,104   | (3,619)   |
| Provision for impairment on inventories                                  | 8     | 6,928   | 2,695   |
| Other provisions (unconfirmed supplier balances)                         | 17    | 14,000  | -   |
| Interest income  | 18    | (828)   | (1,700)   |
| Tax expense  |       | (40,549)  | (5,127)   |
|  |       | <b>(66,156)</b>   | <b>25,725</b>   |
| <b>Operating cash flows before changes in working capital</b>            |       |   |   |
| Increase in trade receivables and other receivables                      |       | (10,820)  | (13,692)  |
| Decrease in trade receivables from related parties                       | 4     | 368   | 1,374   |
| Decrease in inventories  | 8     | 133,244   | 39,462  |
| Decrease / (increase) in other assets                                    |       | 6,455   | (14,115)  |
| (Decrease) / increase in trade payables                                  | 7     | (355,278)   | 66,998  |
| Decrease in trade payables to related parties                            | 4     | (2,694)   | (6,343)   |
| Decrease in other liabilities  |       | (15,008)  | (2,467)   |
|  |       | <b>(309,889)</b>  | <b>96,942</b>   |
| Payments related to employee benefits                                    |       | (6,058)   | (2,516)   |
| Current tax paid   |       | -   | (1,407)   |
| <b>Cash used in operations</b>   |       | <b>(315,947)</b>  | <b>93,019</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                              |       |   |   |
| Purchase of tangible assets  | 10    | (20,931)  | (28,087)  |
| Purchase of intangible assets  | 10    | (6,870)   | (6,840)   |
| Interest received  | 18    | 828   | 1,700   |
| <b>Cash used in investment activities</b>                                |       | <b>(26,973)</b>   | <b>(33,227)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                              |       |   |   |
| Change in financial loans  | 6     | 68,800  | -   |
| Interest, credit card commissions and other finance costs paid           | 19    | (22,293)  | (16,613)  |
| Dividend payments  |       | -   | (16,060)  |
| <b>Cash used in financing activities</b>                                 |       | <b>46,507</b>   | <b>(32,673)</b>   |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                           |       | <b>(296,413)</b>  | <b>27,119</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>          |       | <b>305,285</b>  | <b>192,998</b>  |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                |       | <b>8,872</b>  | <b>220,117</b>  |

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



## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 2,678 as of 30 September 2016 (31 December 2015: 3,619). The Company has been registered in Turkey and operates under the laws and regulations of Turkish Commercial Codes (“TCC”).

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 209 stores with 133,874 square meters retail space as of 30 September 2016 (31 December 2015: 171,622 square meters, 278 stores). The registered office address of the company is as follows.

Barbaros Mahallesi, Mor Sümbül Sok. No:7/3F 1-18 Nida Kule Ataşehir Güney B-2, B-3 floor,  
Post Code 34746 Ataşehir - 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 September 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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

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

##### 2.2 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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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><br><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><br><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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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)

**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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 15                         | <i>Revenue from Contracts with Customers 1</i>                       |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

##### **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.

##### **TFRS 15 *Revenue from Contracts with Customers***

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

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.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

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

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

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

###### *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. 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 September 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 store inventories amounting TRY 16,089 as of 30 September 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 September 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 17).



## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

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

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

##### 2.5 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 recoverable has been estimated under the current circumstances and information available. 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. These planning strategies depend on management estimations and actual outcomes might differ from the estimations. Expiration schedule and amounts for utilization of accumulated losses calculated for deferred tax assets are TRY 6,310 for 2019, TRY 40,115 for 2020 and TRY 136,365 for 2021, respectively.

###### *Restructuring provisions*

The Company has recorded some provisions in the financial statements with regard to decisions within the scope of reorganization strategy realized in 2016. These provisions are generally composed of penalty provisions going to be paid to lessors due to early termination of rent contracts, provisions and expenditures regarding employee lawsuits. Rent agreements, legal counselor opinions and management expectations are considered while recording these estimates.

###### *Providing financial capability*

The Company has net loss amounting TRY 170,774 for the nine-month periods ended 30 September 2016 and has accumulated losses amounting TRY 217,541 including net losses for the current period. Based on prospective profitability factors considered by the Company Management, some of the stores have been closed and required expenditures and also provisions have been recorded in the financial statements during this phase. Also based on prospective projections, the Company is going to continue its operations through its existing stores and related strategies will be evaluated by the Company Management to provide financial capability.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2016 |                |                  |
|---|-------------------------------|----------------|------------------|
|   | Retailer                      | Dealer         | Total            |
| Total segment income  | 2,139,168                     | 130,014        | 2,269,182        |
| <b>Income from third party customers</b>  | <b>2,139,168</b>              | <b>130,014</b> | <b>2,269,182</b> |
| <b>Profit / (loss) before interest, severance pay, depreciation and amortization (EBITDA)</b> | <b>(49,306)</b>               | <b>20,107</b>  | <b>(29,198)</b>  |

  

|  | 1 January - 30 September 2015 |               |                  |
|--|-------------------------------|---------------|------------------|
|  | Retailer                      | Dealer        | Total            |
| Total segment income   | 2,111,485                     | 90,689        | 2,202,174        |
| <b>Income from third party customers</b>   | <b>2,111,485</b>              | <b>90,689</b> | <b>2,202,174</b> |
| <b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b> | <b>30,490</b>                 | <b>13,498</b> | <b>43,988</b>    |

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

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

|   | <b>1 July - 30 September 2016</b> |               |                 |
|---|-----------------------------------|---------------|-----------------|
|   | Retailer                          | Dealer        | Total           |
| Total segment income  | 650,456                           | 40,904        | 691,360         |
| <b>Income from third party customers</b>  | <b>650,456</b>                    | <b>40,904</b> | <b>691,360</b>  |
| <b>Profit / (loss) before interest, severance pay, depreciation and amortization (EBITDA)</b> | <b>(49,180)</b>                   | <b>4,765</b>  | <b>(44,415)</b> |
|   | <b>1 July - 30 September 2015</b> |               |                 |
|   | Retailer                          | Dealer        | Total           |
| Total segment income  | 779,388                           | 33,806        | 813,194         |
| <b>Income from third party customers</b>  | <b>779,388</b>                    | <b>33,806</b> | <b>813,194</b>  |
| <b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>          | <b>17,127</b>                     | <b>5,634</b>  | <b>22,761</b>   |

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

|   | 1 January-<br>30 September<br>2016 | 1 July-<br>30 September<br>2016 | 1 January-<br>30 September<br>2015 | 1 July-<br>30 September<br>2015 |
|---|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| EBITDA for reportable segment information   | <b>(29,198)</b>                    | <b>(44,415)</b>                 | <b>43,988</b>                      | <b>22,761</b>                   |
| Depreciation                                | (28,010)                           | (9,010)                         | (31,314)                           | (10,529)                        |
| Finance expenses                            | (22,293)                           | (8,239)                         | (16,613)                           | (4,813)                         |
| Investment income and expenses              | 828                                | 23                              | 1,700                              | 1,320                           |
| Other expenses - net                        | (129,394)                          | (91,567)                        | (22,194)                           | (6,879)                         |
| Provision for employee termination benefits | (3,256)                            | 37                              | (2,408)                            | (1,053)                         |
| <b>Loss before tax</b>                      | <b>(211,323)</b>                   | <b>(153,171)</b>                | <b>(26,841)</b>                    | <b>807</b>                      |

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

| Balances with related parties                    | 30 September 2016 |                |
|--|-------------------|----------------|
|  | Receivables       | Payables       |
|  | Current           | Current        |
|  | Trading           | Trading        |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.  | 924               | -              |
| Akbank T.A.Ş.                                    | 307               | -              |
| Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş. | 186               | (512)          |
| Hacı Ömer Sabancı Holding A.Ş.                   | 152               | (33)           |
| Avivasa Emeklilik ve Hayat A.Ş.                  | 48                | -              |
| Akçansa Çimento San. ve Tic. A.Ş.                | 23                | -              |
| Temsa Global Sanayi ve Ticaret A.Ş.              | -                 | (3)            |
| Enerjisa Enerji A.Ş. ve iştirakleri              | -                 | (1,016)        |
| Aksigorta A.Ş.                                   | -                 | (74)           |
|  | <u>1,640</u>      | <u>(1,638)</u> |

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 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 September     | 31 December    |
| <u>Deposit accounts in Akbank T.A.Ş.</u>               | <u>2016</u>      | <u>2015</u>    |
| Demand deposit   | 1,695            | 842            |
| Time deposit   | -                | 101,660        |
|  | <u>1,695</u>     | <u>102,502</u> |
|  | 30 September     | 31 December    |
| <u>Credit card slip receivables from Akbank T.A.Ş.</u> | <u>2016</u>      | <u>2015</u>    |
| Credit card slip receivables                           | 822              | 1,991          |
|  | <u>822</u>       | <u>1,991</u>   |

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2016 |                |                 |
|--|-------------------------------|----------------|-----------------|
|  | Sales                         | Rent expense   | Other expenses  |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.                | 2,245                         | (3,322)        | (915)           |
| Akbank T.A.Ş.  | 1,390                         | -              | -               |
| Avivasa Emeklilik ve Hayat A.Ş.                                | 366                           | -              | (627)           |
| Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.               | 158                           | -              | (4,831)         |
| Akçansa Çimento San. ve Tic. A.Ş.                              | 133                           | -              | -               |
| H.Ö. Sabancı Holding A.Ş.                                      | 129                           | (10)           | (28)            |
| Philip Morris Sabancı Pazarlama Satış A.Ş.                     | 111                           | -              | -               |
| Çimsa Çimento Sanayi ve Ticaret A.Ş.                           | 100                           | -              | -               |
| Aksigorta A.Ş.   | 86                            | -              | (1,943)         |
| Temsa Global Sanayi ve Ticaret A.Ş.                            | 77                            | -              | -               |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.               | 17                            | -              | -               |
| Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş. | 5                             | -              | -               |
| Enerjisa Enerji A.Ş. ve İştirakleri                            | -                             | -              | (3,824)         |
|  | <u>4,817</u>                  | <u>(3,332)</u> | <u>(12,168)</u> |

| Transactions with related parties                              | 1 January - 30 September 2015 |                |                 |
|--|-------------------------------|----------------|-----------------|
|  | Sales                         | Rent expense   | Other expenses  |
| Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.                | 9,277                         | (3,922)        | (321)           |
| Ak Finansal Kiralama A.Ş.                                      | 1,579                         | -              | -               |
| Akbank T.A.Ş.  | 742                           | -              | -               |
| Avivasa Emeklilik ve Hayat A.Ş.                                | 433                           | -              | (856)           |
| Aksigorta A.Ş.   | 291                           | -              | (1,890)         |
| Akçansa Çimento San. ve Tic. A.Ş.                              | 168                           | -              | -               |
| Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.               | 147                           | -              | -               |
| H.Ö. Sabancı Holding A.Ş.                                      | 84                            | (40)           | (154)           |
| Çimsa Çimento Sanayi ve Ticaret A.Ş.                           | 42                            | -              | -               |
| Philip Morris Sabancı Pazarlama Satış A.Ş.                     | 18                            | -              | -               |
| Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.               | 7                             | 243            | (7,610)         |
| Enerjisa Enerji A.Ş. ve İştirakleri                            | 6                             | -              | (3,799)         |
| Sabancı Üniversitesi   | 3                             | -              | -               |
| Ak Portföy Yönetimi A.Ş.                                       | 2                             | -              | -               |
| Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş. | 2                             | -              | -               |
| Vista Turizm Ve Seyahat A.Ş.                                   | -                             | -              | (11)            |
| Birlas Motor Sporları Oto. San. İml. Ve Tic. Ltd. Şti.         | -                             | -              | (5)             |
|  | <u>12,801</u>                 | <u>(3,719)</u> | <u>(14,646)</u> |

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2016 and 2015 are as follows:

|                             | 1 January –<br>30 September<br>2016 | 1 January –<br>30 September<br>2015 |
|-----------------------------|-------------------------------------|-------------------------------------|
| Salaries and other benefits | 4,573                               | 4,071                               |
|                             | <u>4,573</u>                        | <u>4,071</u>                        |

#### NOTE 5 – CASH AND CASH EQUIVALENTS

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

|                              | 30 September<br>2016 | 31 December<br>2015 |
|------------------------------|----------------------|---------------------|
| Cash                         | 1,130                | 1,908               |
| Demand deposit               | 2,467                | 2,218               |
| Time deposit                 | -                    | 288,046             |
| Credit card slip receivables | 5,275                | 13,113              |
|                              | <u>8,872</u>         | <u>305,285</u>      |

As of 30 September 2016, the Company has not any time deposits. (31 December 2015: All time deposits of the Company are Turkish Liras with average interest rates of 13.44%).

#### NOTE 6 – FINANCIAL LIABILITIES

|                              | 30 September<br>2016 | 31 December<br>2015 |
|------------------------------|----------------------|---------------------|
| <u>Short term borrowings</u> |                      |                     |
| Bank loans (*)               | 68,800               | -                   |
|                              | <u>68,800</u>        | <u>-</u>            |

(\*) The details of short term bank loan as of 30 September 2016 is as follow:

| Currency | Weighted average effective interest<br>rate | 30 September<br>2016 |
|----------|---|----------------------|
| TRY      | % 10.61                                     | 68,800               |
|          |   | <u>68,800</u>        |

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

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

#### NOTE 7 – TRADE RECEIVABLES AND PAYABLES

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

| <u>Current Trade Receivables</u>       | 30 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| Trade receivables                      | 49,423               | 44,577              |
| Due from related parties (Note 4)      | 1,640                | 2,008               |
| Notes receivables                      | 16,456               | 10,485              |
| Allowance for doubtful receivables (-) | (6,493)              | (5,867)             |
|  | <u>61,026</u>        | <u>51,203</u>       |

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

|                                | 30 September<br>2016 | 31 December<br>2015 |
|--------------------------------|----------------------|---------------------|
| Letters of guarantees received | 19,243               | 9,110               |
| Mortgages                      | 4,851                | 3,588               |
|                                | <u>24,094</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 24,094. (31 December 2015: TRY 12,698). Company have no any sold or give re-pledge guarantees or mortgages from balance date.

| <u>Current Trade Payables</u>              | 30 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| Trade payables                             | 489,706              | 859,297             |
| Trade payables to related parties (Note 4) | 1,638                | 4,332               |
| Expense accruals                           | 21,412               | 7,099               |
|  | <u>512,756</u>       | <u>870,728</u>      |

As of 30 September 2016, the Company net-off income accruals related to suppliers in the amount of TRY 40,650 with its trade payables (31 December 2015: TRY 43,769).



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

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

**NOTE 8 – INVENTORIES**

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

|   | 30 September<br>2016            | 31 December<br>2015             |
|---|---------------------------------|---------------------------------|
| Trade goods   | 362,131                         | 496,076                         |
| Goods in transit  | 2,761                           | 2,060                           |
| Provision for impairment on inventories (-)               | (24,453)                        | (17,525)                        |
|   | <u>340,439</u>                  | <u>480,611</u>                  |
| <u>Movement of provision of impairment on inventories</u> | 1 January-<br>30 September 2016 | 1 January-<br>30 September 2015 |
| Opening balance at 1 January                              | (17,525)                        | (4,488)                         |
| Provisions released                                       | (6,928)                         | (2,695)                         |
| Closing balance at 30 September                           | <u>(24,453)</u>                 | <u>(7,183)</u>                  |

**NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE**

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

|   | 30 September<br>2016 | 31 December<br>2015 |
|---|----------------------|---------------------|
| <u>Short-term Prepaid Expenses</u>          |                      |                     |
| Order advances given for inventory purchase | 7,732                | 6,368               |
| Short term prepaid expenses                 | 4,904                | 9,309               |
|   | <u>12,636</u>        | <u>15,677</u>       |
| <u>Long-term Prepaid Expenses</u>           | 30 September<br>2016 | 31 December<br>2015 |
| Long term prepaid expenses                  | 619                  | 149                 |
|   | <u>619</u>           | <u>149</u>          |

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

|                                    | 30 September<br>2016 | 31 December<br>2015 |
|------------------------------------|----------------------|---------------------|
| <u>Short-term Deferred Revenue</u> |                      |                     |
| Order advances received            | 26,250               | 24,666              |
| Other                              | 619                  | 620                 |
|                                    | <u>26,869</u>        | <u>25,286</u>       |

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

**NOTE 10 – PROPERTY, PLANT AND EQUIPMENTS AND INTANGIBLE ASSETS**

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

| Cost value                                     | Machinery and equipment |          |                         |                        |                        | Construction on progress | Total     |
|--|-------------------------|----------|-------------------------|------------------------|------------------------|--------------------------|-----------|
|  | Land                    | Building | vehicles and equipments | Furniture and fixtures | Leasehold improvements |                          |           |
| Opening balance at 1 January 2016              | 3,444                   | 6,323    | 359                     | 66                     | 85,363                 | 123,722                  | 222,288   |
| Additions                                      | -                       | -        | -                       | -                      | 2,937                  | 6,649                    | 20,931    |
| Disposals                                      | -                       | -        | (20)                    | -                      | (9,428)                | (38,565)                 | (48,013)  |
| Revaluation fund (*)                           | 23,061                  | -        | -                       | -                      | -                      | -                        | 23,061    |
| Transfer from construction on progress (**)    | -                       | -        | -                       | -                      | 5,996                  | 4,379                    | (13,336)  |
| Closing balance at 30 September 2016           | 26,505                  | 6,323    | 339                     | 66                     | 84,868                 | 96,185                   | 215,306   |
| <u>Accumulated depreciation</u>                |                         |          |                         |                        |                        |                          |           |
| Opening balance at 1 January 2016              | -                       | (810)    | (265)                   | (38)                   | (55,926)               | (66,489)                 | (123,528) |
| Current charge                                 | -                       | (71)     | (30)                    | (6)                    | (7,740)                | (10,359)                 | (18,206)  |
| Disposals                                      | -                       | -        | 20                      | -                      | 8,563                  | 23,020                   | 31,603    |
| Provision for impairment (*)                   | -                       | (2,890)  | -                       | -                      | -                      | -                        | (2,890)   |
| Provision for reversal of impairment net (***) | -                       | -        | -                       | -                      | (1,099)                | 1,852                    | 753       |
| Closing balance at 30 September 2016           | -                       | (3,771)  | (275)                   | (44)                   | (56,202)               | (51,976)                 | (112,268) |
| Net book value at 30 September 2016            | 26,505                  | 2,552    | 64                      | 22                     | 28,666                 | 44,209                   | 103,038   |

(\*) 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 Mühürleri 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 TRY 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 TRY 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 TRY 3,754 and TRY 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 2,961 has been made for intangible assets as of 30 September 2016.

(\*\*\*) Impairment calculated for tangible fixed assets is TRY 1,853 as of 30 September 2016. Reversal of impairment amount is TRY 2,606 as of 30 September 2016.

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

**NOTE 10 - PROPERTY, PLANT AND EQUIPMENTS AND INTANGIBLE ASSETS (Continued)**

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

| Cost value                                    | Land  | Building | Machinery and equipments |      |          | Vehicles | Furniture and fixtures | Leasehold improvements | Construction on progress | Total |
|---|-------|----------|--------------------------|------|----------|----------|------------------------|------------------------|--------------------------|-------|
|   |       |          | Machinery and equipments | and  |          |          |                        |                        |                          |       |
| Opening balance at 1 January 2015             | 3,444 | 6,321    | 443                      | 98   | 82,521   | 120,897  | 10,022                 | 223,746                |                          |       |
| Additions                                     | -     | -        | -                        | -    | 3,411    | 4,784    | 19,892                 | 28,087                 |                          |       |
| Disposals                                     | -     | -        | (30)                     | -    | (3,925)  | (5,388)  | -                      | (9,343)                |                          |       |
| Transfer from construction on progress (*)    | -     | -        | -                        | -    | 2,724    | 3,796    | (11,891)               | (5,371)                |                          |       |
| Closing balance at 30 September 2015          | 3,444 | 6,321    | 413                      | 98   | 84,731   | 124,089  | 18,023                 | 237,119                |                          |       |
| Accumulated depreciation                      |       |          |                          |      |          |          |                        |                        |                          |       |
| Opening balance at 1 January 2015             | -     | (697)    | (308)                    | (61) | (48,734) | (55,685) | -                      | (105,485)              |                          |       |
| Current change                                | -     | (85)     | (31)                     | (7)  | (8,319)  | (12,240) | -                      | (20,682)               |                          |       |
| Disposals                                     | -     | -        | 30                       | -    | 2,926    | 3,289    | -                      | 6,245                  |                          |       |
| Provision for reversal of impairment net (**) | -     | -        | -                        | -    | 764      | 2,855    | -                      | 3,619                  |                          |       |
| Closing balance at 30 September 2015          | -     | (782)    | (309)                    | (68) | (53,363) | (61,781) | -                      | (116,303)              |                          |       |
| Net book value at 30 September 2015           | 3,444 | 5,539    | 104                      | 30   | 31,368   | 62,308   | 18,023                 | 120,816                |                          |       |

(\*) The investment amounting TRY 5,371 has been made for intangible assets as of 30 September 2015.

(\*\*) Impairment calculated for tangible fixed assets is TRY 227 as of 30 September 2015. Reversal of impairment amount is TRY 3,846 as of 30 September 2015.

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

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

**NOTE 10 - PROPERTY, PLANT AND EQUIPMENTS AND INTANGIBLE ASSETS  
(Continued)**

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

| <u>Cost Value</u>                       | <u>Licenses and<br/>Rights</u> | <u>Computer<br/>Softwares</u> | <u>Total</u>    |
|---|--------------------------------|-------------------------------|-----------------|
| Opening balance at 1 January 2016       | 6,789                          | 60,298                        | 67,087          |
| Additions                               | 154                            | 6,716                         | 6,870           |
| Disposals                               | (2,752)                        | (137)                         | (2,889)         |
| Transfers from construction in progress | 319                            | 2,642                         | 2,961           |
| Closing balance at 30 September 2016    | <u>4,510</u>                   | <u>69,519</u>                 | <u>74,029</u>   |
| <u>Accumulated Amortization</u>         |                                |                               |                 |
| Opening balance at 1 January 2016       | (2,735)                        | (42,495)                      | (45,230)        |
| Charge for the year                     | (109)                          | (9,600)                       | (9,709)         |
| Disposals                               | 2,702                          | 152                           | 2,854           |
| Provision for impairment losses         | 47                             | (14)                          | 33              |
| Closing balance at 30 September 2016    | <u>(95)</u>                    | <u>(51,957)</u>               | <u>(52,052)</u> |
| Net book value as of 30 September 2016  | <u>4,415</u>                   | <u>17,562</u>                 | <u>21,977</u>   |

Depreciation and amortization expenses amounting to TRY 17,792 (2015: TRY 19,593) are included in marketing expenses and TRY 10,218 (2015: TRY 11,721) are included in general administrative expenses.

| <u>Cost Value</u>                       | <u>Licenses and<br/>Rights</u> | <u>Computer<br/>Softwares</u> | <u>Total</u>    |
|---|--------------------------------|-------------------------------|-----------------|
| Opening balance at 1 January 2015       | 6,516                          | 44,397                        | 50,913          |
| Additions                               | 113                            | 6,728                         | 6,841           |
| Transfers from construction in progress | 57                             | 5,314                         | 5,371           |
| Closing balance at 30 September 2015    | <u>6,686</u>                   | <u>56,439</u>                 | <u>63,125</u>   |
| <u>Accumulated Amortization</u>         |                                |                               |                 |
| Opening balance at 1 January 2015       | (1,438)                        | (22,310)                      | (23,748)        |
| Charge for the year                     | (756)                          | (9,735)                       | (10,491)        |
| Closing balance at 30 September 2015    | <u>(2,194)</u>                 | <u>(32,045)</u>               | <u>(34,239)</u> |
| Net book value as of 30 September 2015  | <u>4,492</u>                   | <u>24,394</u>                 | <u>28,886</u>   |

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

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

**NOTE 11 – PAYABLES RELATED TO EMPLOYEE BENEFITS**

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

|                                  | 30 September<br>2016 | 31 December<br>2015 |
|----------------------------------|----------------------|---------------------|
| Accrued salaries                 | 95                   | 78                  |
| Social security premiums payable | 7,683                | 8,818               |
|                                  | <u>7,778</u>         | <u>8,896</u>        |

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

|  | 30 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| <i>Short-term Provisions</i>               |                      |                     |
| Unused vacation provision                  | 1,883                | 2,391               |
| Sales personnel premium provision          | 1,512                | 3,733               |
| Administrative personnel premium provision | 957                  | 402                 |
| Restructuring provision(*)                 | 675                  | 11,104              |
|  | <u>5,027</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 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| <i>Long-term Provisions</i>                |                      |                     |
| Retirement pay provision                   | 4,074                | 4,087               |
| Administrative personnel premium provision | 624                  | 219                 |
|  | <u>4,698</u>         | <u>4,306</u>        |

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

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

#### NOTE 12 – PROVISIONS

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

|  | 30 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| Rent rescission provisions (*)         | 22,848               | -                   |
| Litigation provisions (**)             | 20,387               | 1,520               |
| Supplier confirmation provisions (***) | 14,000               | -                   |
| Custom litigation provisions (Note 13) | 3,250                | -                   |
| Other                                  | 28                   | 868                 |
|  | <u>60,513</u>        | <u>2,388</u>        |

(\*) Rent rescission provisions are composed of penalty provisions which are related to closed stores before rental contracts' due dates required to pay to lessors.

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

(\*\*\*) Supplier confirmation provisions are mainly composed of provisions for unconfirmed invoices between suppliers and the Company.

The movement of provisions for the period ended 30 September 2016 are as follows:

|                                  | 31 December<br>2015 | 1 January-<br>30 September 2016<br>additional provisions | 1 January-<br>30 September<br>paid / reversed<br>provisions | 30 September<br>2016 |
|----------------------------------|---------------------|--|---|----------------------|
| Rent rescission provisions       | -                   | 27,095   | (4,247)   | 22,848               |
| Litigation provisions            | 1,520               | 18,867   | -   | 20,387               |
| <i>Reemployment lawsuits</i>     | 519                 | 12,294   | -   | 12,813               |
| <i>Consumer lawsuits</i>         | 1,001               | 3,273  | -   | 4,274                |
| <i>Rent lawsuits provisions</i>  | -                   | 3,300  | -   | 3,300                |
| Supplier confirmation provisions | -                   | 14,000   | -   | 14,000               |
| Custom litigation provisions     | -                   | 3,250  | -   | 3,250                |
|                                  | <u>1,520</u>        | <u>63,212</u>  | <u>(4,247)</u>  | <u>60,485</u>        |

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

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

#### NOTE 13 – 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 September<br>2016 | 31 December<br>2015 |
|-------------------|----------------------|---------------------|
| Less than 1 year  | 122,165              | 67,272              |
| Between 1-5 years | 358,261              | 678,737             |
| More than 5 years | 153,405              | 131,730             |
|                   | <u>633,831</u>       | <u>877,739</u>      |

##### *Custom duty and penalty*

Some of the previous years' air conditioner imports of the company are being investigated by Customs Consultancy Inspector within two different investigations as of 30 September 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. Regarding this, 24 lawsuits with the total amount of TRY 2,527 are still under judgment. Based on a subject related to Restructuring of Some of Receivables which is declared on official gazette numbered 29806 on 19 August 2016, the Company applied to Custom Office to benefit from this subject. If an order of payment is taken in November 2016, the amount of TRY 3,250 is estimated to be paid. 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.

##### *Competition Board prosecution*

The Competition Board resolved to commence a prosecution by the resolution no. 15-08/108 dated 19 February 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 7 July 2015 of the inquiry has been extended as consumer electronics and has been with former investigation. All of defense statements for this investigation has been mentioned. Verbal self-defense was also completed on 25 October 2016. Announcement of conclusion for investigation is anticipated to be made in the month of November 2016. Likewise, by the resolution no. 15-28/319-M dated 7 July 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. Verbal self-defense was also completed on 25 October 2016. Announcement of conclusion for investigation is anticipated to be made in the month of November 2016.

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

**NOTE 13 – COMMITMENTS (Continued)**

*Guarantee, pledge, mortgage position*

Guarantees, pledges and mortgages (“GPM”) given by the Company as of 30 September 2016 and 31 December 2015 are as follows:

| CPMs given by the Company   | 30 September 2016    |                     |                     |                      |
|---|----------------------|---------------------|---------------------|----------------------|
|   | TRY equivalent       | USD                 | Euro                | TRY                  |
| A. GPM given on behalf of its own legal entity                                      |                      |                     |                     |                      |
| -Guarantee  | 57,463               | 8,066               | 5,254               | 15,640               |
| -Pledge   | -                    | -                   | -                   | -                    |
| -Mortgage   | -                    | -                   | -                   | -                    |
|   | <u>57,463</u>        | <u>8,066</u>        | <u>5,254</u>        | <u>15,640</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>  | <b><u>57,463</u></b> | <b><u>8,066</u></b> | <b><u>5,254</u></b> | <b><u>15,640</u></b> |

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

|   | 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>  | <b><u>54,601</u></b> | <b><u>7,717</u></b> | <b><u>5,059</u></b> | <b><u>16,088</u></b> |



**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

**NOTE 14 – OTHER ASSETS AND LIABILITIES**

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

|  | 30 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| <i><u>Other Current Assets</u></i>     |                      |                     |
| Advances given                         | 12,193               | 2,121               |
| Other current assets                   | 269                  | 91                  |
|  | <u>12,462</u>        | <u>2,212</u>        |
| <i><u>Other Non-current Assets</u></i> |                      |                     |
|  | 30 September<br>2016 | 31 December<br>2015 |
| Deferred VAT                           | -                    | 13,746              |
| Income accrual (Note 13)               | -                    | 5,157               |
|  | <u>-</u>             | <u>18,903</u>       |

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

|   | 30 September<br>2016 | 31 December<br>2015 |
|---|----------------------|---------------------|
| <i><u>Other Current Liabilities</u></i> |                      |                     |
| VAT payable                             | 17,318               | 20,519              |
| Other expense accruals (*)              | 3,699                | 3,113               |
| Other liabilities and obligations       | 423                  | 873                 |
|   | <u>21,440</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 15 – REVENUE**

The details of sales and cost of sales for the nine-month periods ended 30 September 2016 and 2015 are stated below:

|   | 1 January –<br>30 September<br>2016 | 1 July –<br>30 September<br>2016 | 1 January –<br>30 September<br>2015 | 1 July –<br>30 September<br>2015 |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i><u>Sales Income (net)</u></i>                            |                                     |                                  |                                     |                                  |
| Consumer electronics retail sales                           | 2,139,168                           | 650,456                          | 2,111,485                           | 779,388                          |
| Sales of air conditioner, cash registers<br>and white goods | 130,014                             | 40,904                           | 90,689                              | 33,806                           |
|   | <u>2,269,182</u>                    | <u>691,360</u>                   | <u>2,202,174</u>                    | <u>813,194</u>                   |
| <i><u>Cost of Sales</u></i>                                 |                                     |                                  |                                     |                                  |
| Cost of goods sold  | (1,929,398)                         | (620,775)                        | (1,791,294)                         | (659,062)                        |
| Installation and warranty expenses                          | (7,908)                             | (3,263)                          | (6,087)                             | (2,861)                          |
|   | <u>(1,937,306)</u>                  | <u>(624,038)</u>                 | <u>(1,797,381)</u>                  | <u>(661,923)</u>                 |

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

**NOTE 16 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES**

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

|  | 1 January –<br>30 September<br>2016 | 1 July –<br>30 September<br>2016 | 1 January –<br>30 September<br>2015 | 1 July –<br>30 September<br>2015 |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Marketing Expenses</i>              |                                     |                                  |                                     |                                  |
| Rent expenses                          | (128,957)                           | (40,382)                         | (120,440)                           | (42,484)                         |
| Personnel expenses                     | (114,130)                           | (34,003)                         | (105,020)                           | (36,272)                         |
| Advertising and promotion expenses     | (43,362)                            | (13,065)                         | (50,794)                            | (19,513)                         |
| Transportation expenses                | (18,012)                            | (5,757)                          | (19,949)                            | (7,432)                          |
| Depreciation and amortization expenses | (17,792)                            | (5,634)                          | (19,593)                            | (6,388)                          |
| Energy, fuel and water expenses        | (10,999)                            | (3,757)                          | (11,412)                            | (4,363)                          |
| Maintenance expenses                   | (6,515)                             | (2,215)                          | (5,946)                             | (2,471)                          |
| Consulting expenses                    | (5,796)                             | (1,683)                          | (6,027)                             | (2,358)                          |
| Communication expenses                 | (1,065)                             | (383)                            | (862)                               | (289)                            |
| Travel expenses                        | (910)                               | (303)                            | (1,013)                             | (398)                            |
| Other expenses                         | (8,701)                             | (2,663)                          | (10,260)                            | (3,992)                          |
|  | <u>(356,239)</u>                    | <u>(109,845)</u>                 | <u>(351,316)</u>                    | <u>(125,960)</u>                 |

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

|  | 1 January –<br>30 September<br>2016 | 1 July –<br>30 September<br>2016 | 1 January –<br>30 September<br>2015 | 1 July –<br>30 September<br>2015 |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Administrative Expenses</i>         |                                     |                                  |                                     |                                  |
| Depreciation and amortization expenses | (10,218)                            | (3,376)                          | (11,721)                            | (4,141)                          |
| Personnel expenses                     | (10,193)                            | (3,515)                          | (13,988)                            | (4,551)                          |
| IT expenses                            | (6,137)                             | (1,838)                          | (5,690)                             | (1,610)                          |
| Rent expenses                          | (3,406)                             | (20)                             | (4,509)                             | (1,571)                          |
| Consulting expenses                    | (2,868)                             | (1,132)                          | (2,854)                             | (1,032)                          |
| Bad debt expense                       | (629)                               | (190)                            | (1,757)                             | (482)                            |
| Travel expenses                        | (397)                               | (102)                            | (367)                               | (128)                            |
| Energy, fuel and water expenses        | (363)                               | (112)                            | (374)                               | (121)                            |
| Maintenance expenses                   | (359)                               | (216)                            | (316)                               | (111)                            |
| Other expenses                         | (1,531)                             | (364)                            | (1,635)                             | (385)                            |
|  | <u>(36,101)</u>                     | <u>(10,865)</u>                  | <u>(43,211)</u>                     | <u>(14,132)</u>                  |

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

**NOTE 17 – OTHER OPERATING INCOME AND EXPENSES**

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

|                               | 1 January –<br>30 September<br>2016 | 1 July –<br>30 September<br>2016 | 1 January –<br>30 September<br>2015 | 1 July –<br>30 September<br>2015 |
|-------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Other Operating Income</i> |                                     |                                  |                                     |                                  |
| Discount income               | 4,993                               | 1,164                            | 5,646                               | 2,820                            |
| Foreign exchange gains        | 4,512                               | 1,518                            | 5,077                               | 2,372                            |
| Gains from gift cheques       | 730                                 | 232                              | 446                                 | 190                              |
| Deductions from personnel     | 654                                 | 223                              | 600                                 | 201                              |
| Gain on sales of fixed assets | 383                                 | -                                | 1,174                               | 11                               |
| Other income                  | 949                                 | 515                              | 3,653                               | 2,672                            |
|                               | <u>12,221</u>                       | <u>3,652</u>                     | <u>16,596</u>                       | <u>8,266</u>                     |

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

|  | 1 January –<br>30 September<br>2016 | 1 July –<br>30 September<br>2016 | 1 January –<br>30 September<br>2015 | 1 July –<br>30 September<br>2015 |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Other Operating Expenses (-)</i>                        |                                     |                                  |                                     |                                  |
| Discount expenses  | (29,834)                            | (5,936)                          | (29,378)                            | (12,416)                         |
| Litigation expenses  | (20,854)                            | (16,850)                         | (2,228)                             | (662)                            |
| Early termination rent penalty provision and expenses      | (27,095)                            | (27,095)                         | -                                   | -                                |
| Loss from dispose of fixed assets                          | (15,643)                            | (13,254)                         | -                                   | -                                |
| Supplier confirmation provision expenses (Note 12)         | (14,000)                            | (14,000)                         | -                                   | -                                |
| Reorganization expenses                                    | (11,294)                            | (11,294)                         | -                                   | -                                |
| Foreign exchange losses                                    | (7,813)                             | (2,337)                          | (3,963)                             | (1,401)                          |
| Custom litigation provision and expenses (*)               | (8,407)                             | (3,250)                          | -                                   | -                                |
| Impairment expense in fair value of fixed assets (Note 10) | (2,890)                             | -                                | -                                   | -                                |
| Commission expenses  | (75)                                | (3)                              | (778)                               | (253)                            |
| Donation and aid   | (24)                                | (2)                              | (144)                               | (10)                             |
| Taxes, duties, charges and funds                           | (8)                                 | -                                | (27)                                | (5)                              |
| Evacuation expenses of stores                              | -                                   | -                                | (859)                               | -                                |
| Other expenses   | (3,678)                             | (1,198)                          | (1,413)                             | (398)                            |
|  | <u>(141,615)</u>                    | <u>(95,219)</u>                  | <u>(38,790)</u>                     | <u>(15,145)</u>                  |

(\*) TRY 5,157 of custom litigation provision and expenses is composed of receivable reversal and TRY 3,250 of is composed of provision which is going to be paid on the purpose of utilization from tax amnesty.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

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

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

#### NOTE 18 – INCOME FROM INVESTING ACTIVITIES

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

|                          | 1 January –<br>30 September<br>2016 | 1 July –<br>30 September<br>2016 | 1 January –<br>30 September<br>2015 | 1 July –<br>30 September<br>2015 |
|--------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Investment Income</i> |                                     |                                  |                                     |                                  |
| Interest income          | 828                                 | 23                               | 1,700                               | 1,320                            |
|                          | <u>828</u>                          | <u>23</u>                        | <u>1,700</u>                        | <u>1,320</u>                     |

#### NOTE 19 – FINANCE EXPENSES

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

|                                       | 1 January –<br>30 September<br>2016 | 1 July –<br>30 September<br>2016 | 1 January –<br>30 September<br>2015 | 1 July –<br>30 September<br>2015 |
|---------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Interest and commission expenses      | (13,901)                            | (5,694)                          | (6,153)                             | (1,673)                          |
| Credit card commission expenses       | (7,894)                             | (2,388)                          | (7,592)                             | (2,498)                          |
| Guarantee letters commission expenses | (370)                               | (126)                            | (125)                               | (45)                             |
| Credit card promotion expenses        | (63)                                | -                                | (2,615)                             | (540)                            |
| Other finance expenses                | (65)                                | (31)                             | (128)                               | (57)                             |
|                                       | <u>(22,293)</u>                     | <u>(8,239)</u>                   | <u>(16,613)</u>                     | <u>(4,813)</u>                   |

#### NOTE 20 – EARNINGS / LOSS PER SHARE

There were no dilutive equity instruments outstanding, that would require the calculation of separate diluted earnings per share. The calculation of basic earnings per share attributable to ordinary equity holders of the parent is as follows:

|   | 1 January –<br>30 September<br>2016 | 1 July –<br>30 September<br>2016 | 1 January –<br>30 September<br>2015 | 1 July –<br>30 September<br>2015 |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <b>Earning per share</b>  |                                     |                                  |                                     |                                  |
| Weighted average number of ordinary shares outstanding during the period (in full)            | 110,000,000                         | 110,000,000                      | 110,000,000                         | 110,000,000                      |
| Net (loss) / profit for the year attributable to owners of the Company                        | (170,774)                           | (122,717)                        | (21,714)                            | 586                              |
| Basic (loss) earnings per share from continuing operations -thousands of ordinary shares (TL) | (1.55)                              | (1.12)                           | (0.20)                              | 0.01                             |

#### NOTE 21 -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 CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

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

**NOTE 21 -NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

| Foreign Currency Position  | Equivalents<br>of TRY | 30 September 2016 |       |     |       |
|--|-----------------------|-------------------|-------|-----|-------|
|  |                       | USD               | Euro  | GBP | Other |
| 1. Trade receivable  | 1,336                 | 308               | 122   | -   | 109   |
| 2a. Monetary financial assets  | 12                    | 3                 | 1     | -   | -     |
| 2b. Non monetary financial assets  | -                     | -                 | -     | -   | -     |
| 3. Other   | 8,761                 | 1,506             | 1,178 | -   | 1     |
| 4. CURRENT ASSETS  | 10,109                | 1,817             | 1,301 | -   | 110   |
| 5. Trade receivables   | -                     | -                 | -     | -   | -     |
| 6a. Monetary financial assets  | -                     | -                 | -     | -   | -     |
| 6b. Non monetary financial assets  | -                     | -                 | -     | -   | -     |
| 7. Other   | 291                   | 97                | -     | -   | -     |
| 8. NON CURRENT ASSETS  | 291                   | 97                | -     | -   | -     |
| 9. TOTAL ASSETS  | 10,400                | 1,914             | 1,301 | -   | 110   |
| 10. Trade payables   | 4,622                 | 1,093             | 401   | -   | -     |
| 11. Financial liabilities  | -                     | -                 | -     | -   | -     |
| 12a. Other monetary liabilities  | 2,225                 | 339               | 360   | -   | -     |
| 12b. Non monetary other liabilities  | -                     | -                 | -     | -   | -     |
| 13. CURRENT LIABILITIES  | 6,847                 | 1,432             | 761   | -   | -     |
| 14. Trade payables   | -                     | -                 | -     | -   | -     |
| 15. Financial liabilities  | -                     | -                 | -     | -   | -     |
| 16a. Monetary other liabilities  | -                     | -                 | -     | -   | -     |
| 16b. Non monetary other liabilities  | -                     | -                 | -     | -   | -     |
| 17. NON CURRENT LIABILITIES  | -                     | -                 | -     | -   | -     |
| 18. TOTAL LIABILITIES  | 6,847                 | 1,432             | 761   | -   | -     |
| 19. Net assets / liability position of off-balance<br>derivative instruments (19a-19b)                           | -                     | -                 | -     | -   | -     |
| 19.a Derivative instrument amounts of off-balance<br>items with asset qualifications per foreign currency        | -                     | -                 | -     | -   | -     |
| 19b. Derivative instrument amounts of off-balance<br>items with liability qualifications per foreign<br>currency | -                     | -                 | -     | -   | -     |
| 20. Net foreign currency assets (liabilities) position<br>(9-18+19)  | 3,553                 | 482               | 540   | -   | 110   |
| 21. Monetary items net foreign currency<br>assets/(liabilities)<br>position (1+2a+5+6a-10-11-12a-14-15-16a)      | (5,499)               | (1,121)           | (638) | -   | 109   |
| 22. Total fair value of foreign currency hedge   | (888)                 | (107)             | (168) | -   | -     |
| 23. The amount for the hedged portion foreign<br>currency assets   | -                     | -                 | -     | -   | -     |
| 24. The amount for the hedged portion of foreign<br>currency liabilities   | -                     | -                 | -     | -   | -     |

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

**NOTE 21- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

| Foreign Currency Position  | Equivalents<br>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   |
| 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<br>derivative instruments (19a-19b)                           | -                     | -                | -     | -   | -     |
| 19.a Derivative instrument amounts of off-balance<br>items with asset qualifications per foreign currency        | -                     | -                | -     | -   | -     |
| 19b. Derivative instrument amounts of off-balance<br>items with liability qualifications per foreign<br>currency | -                     | -                | -     | -   | -     |
| 20. Net foreign currency assets (liabilities) position<br>(9-18)   | 4,520                 | 27               | 1,390 | -   | 993   |
| 21. Monetary items net foreign currency<br>assets/(liabilities)<br>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<br>currency assets   | -                     | -                | -     | -   | -     |
| 24. The amount for the hedged portion of foreign<br>currency liabilities   | -                     | -                | -     | -   | -     |

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

**NOTE 21- 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 September 2016**

|  | Profit / Loss                         |                                       |
|--|---------------------------------------|---------------------------------------|
|  | Appreciation of<br>foreign currencies | Depreciation of<br>foreign currencies |
| In case 10% appreciation of USD against TRY            |                                       |                                       |
| 1 - USD Dollars net assets/liabilities                 | (336)                                 | 336                                   |
| 2- Amount hedged for USD risk (-)                      | -                                     | -                                     |
| <b>3- USD net effect (1 +2)</b>                        | <b>(336)</b>                          | <b>336</b>                            |
| In case 10% appreciation of EUR against TRY            |                                       |                                       |
| 4 - EUR net assets/liabilities                         | (214)                                 | 214                                   |
| 5 - Amount hedged for EUR risk (-)                     | -                                     | -                                     |
| <b>6- EUR net effect (4+5)</b>                         | <b>(214)</b>                          | <b>214</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>(549)</b>                          | <b>549</b>                            |

**Foreign currency sensitivity table**

**31 December 2015**

|  | Profit / Loss                         |                                       |
|--|---------------------------------------|---------------------------------------|
|  | Appreciation of<br>foreign currencies | Depreciation of<br>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>(260)</b>                          | <b>260</b>                            |

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

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

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

**NOTE 22 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)**

| <u>30 September 2016</u>   | Loans and receivables | Derivative financial instruments | Financial liabilities at amortized cost | Carrying value | Note |
|--|-----------------------|----------------------------------|---|----------------|------|
| <u>Financial assets</u>  |                       |                                  |   |                |      |
| Cash and cash equivalents  | 8,872                 | -                                | -                                       | 8,872          | 5    |
| Trade receivables ( including trade receivables from related parties,  | 61,026                | -                                | -                                       | 61,026         | 7    |
| Other receivables ( including trade receivables from related parties), | 643                   | -                                | -                                       | 643            |      |
| <u>Financial liabilities</u>   |                       |                                  |   |                |      |
| Financial Liabilities  | -                     | -                                | 68,800                                  | 68,800         | 6    |
| Trade payables ( including trade payables to related parties)          | -                     | -                                | 512,756                                 | 512,756        | 7    |
| Other payables ( including trade payables to related parties)          | -                     | -                                | 1,036                                   | 1,036          |      |
| Derivative financial instruments                                       | -                     | 888                              | -                                       | 888            | 23   |
| <u>31 December 2015</u>  |                       |                                  |   |                |      |
| <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         | 7    |
| Other receivables ( including trade receivables from related parties), | 671                   | -                                | -                                       | 671            |      |
| Derivative financial instruments                                       | -                     | 360                              | -                                       | 360            | 23   |
| <u>Financial liabilities</u>   |                       |                                  |   |                |      |
| Trade payables ( including trade payables to related parties)          | -                     | -                                | 870,728                                 | 870,728        | 7    |
| 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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

#### NOTE 22 – 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 September 2016 | 31 December 2015 |                      |   |                                 |  |
| Foreign currency forward contracts       | (888)             | 360              | Level 2              | Discounted cash flow method:<br>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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

#### NOTE 23 – DERIVATIVE INSTRUMENTS

|                                    | 30 September 2016 |             | 31 December 2015 |             |
|------------------------------------|-------------------|-------------|------------------|-------------|
|                                    | Assets            | Liabilities | Assets           | Liabilities |
| Foreign currency forward contracts | -                 | 888         | 360              | -           |
| Short-term                         | -                 | (888)       | 360              | -           |
| Long-term                          | -                 | -           | -                | -           |
|                                    | -                 | (888)       | 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 three 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 September | 31 December |
|------------------------------------|--------------|-------------|
|                                    | 2016         | 2015        |
| Foreign currency forward contracts | 56,917       | 149,643     |
|                                    | 56,917       | 149,643     |

As of 30 September 2016, the fair value of the Company's foreign currency forward contracts is estimated to be approximately TRY 888 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 888 has been accounted for under equity (2015: TRY 360).

#### NOTE 24 – EVENTS AFTER THE REPORTING PERIOD

The Company revised eight stores in Kütahya, Ankara, Eskişehir, Afyon, İzmit and İstanbul between the balance sheet date and 31 October 2016 as a result of store efficiency evaluation. The related changes decreased the retail sales area of the Company by 2,517 meter squares.

Brand revaluation is made on 26 October 2016 by an authorized independent company to provide compliance of the Company's financial statements in accordance with TCC 376.