TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 WITH INDEPENDENT AUDITOR'S REVIEW

(Originally issued in Turkish)

7 August 2018

This report includes 2 pages of independent auditors' review report and 43 pages of financial statements and notes to the financial statements.

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

Introduction

We have reviewed the accompanying condensed statement of financial position of TeknoSA İç ve Dış Ticaret Anonim Şirketi (the "Company") as at 30 June 2018, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Ruşen Fikret Selamet, SMMM
Partner
7 August 2018
İstanbul, Turkey

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Current period	**Prior period**
		Reviewed	***Audited***
	Notes	**30 June 2018**	**31 December 2017**
ASSETS			
Current assets		**679.485**	**554.759**
Cash and cash equivalents	*5*	24.772	72.703
Trade receivables	*7*	95.645	56.128
Trade receivables from related parties	*4*	*8.668*	*2.610*
Trade receivables from third parties	*7*	*86.977*	*53.518*
Inventories	*8*	515.819	418.496
Prepaid expenses	*9*	40.991	5.618
Other current assets	*16*	2.258	1.814
Non-current assets		**174.783**	**172.049**
Other receivables		548	501
Investment property	*10*	10.196	10.196
Property, plant and equipment	*11*	85.320	84.921
Intangible assets	*12*	26.592	24.184
Prepaid expenses	*9*	353	432
Deferred tax assets		51.774	51.815
TOTAL ASSETS		**854.268**	**726.808**

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

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

		Current period	Prior period
		Reviewed	*Audited*
	Notes	**30 June 2018**	**31 December 2017**
LIABILITIES			
Current liabilities		**900.256**	**763.615**
Short-term loans and borrowings	*6*	231.666	--
Trade payables	*7*	613.052	674.944
Trade payables to related parties	*4*	*655*	*3.296*
Trade payables to third parties	*7*	*612.397*	*671.648*
Payables related to employee benefits	*13*	15.393	16.877
Other payables		2.112	1.456
Other payables to third parties		*2.112*	*1.456*
Deferred revenue	*9*	14.526	17.660
Short-term provisions		18.191	22.887
Short-term provisions for employee benefits	*13*	*5.476*	*10.229*
Other short-term provisions	*14*	*12.715*	*12.658*
Derivatives	*22*	--	304
Other current liabilities	*16*	5.316	29.487
Non-current liabilities		**7.278**	**6.566**
Long-term provisions for employee benefits	*13*	7.278	6.566
EQUITY		**(53.266)**	**(43.373)**
Share capital		110.000	110.000
Adjustments to share capital		6.628	6.628
Restricted reserves		8.704	8.704
Other reserves		3	3
Other comprehensive income that are or may be reclassified to profit or loss		--	(237)
Cash flow hedge reserve		--	*(237)*
Other comprehensive income that will not be reclassified to profit or loss		19.346	19.341
Gains on revaluation of property, plant and equipment		*21.908*	*21.908*
Losses on remeasurement of defined benefit plans		*(2.562)*	*(2.567)*
Accumulated losses		(187.812)	(207.380)
Net profit/(loss) for the period		(10.135)	19.568
TOTAL LIABILITIES		**854.268**	**726.808**

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS
FOR THE SIX MONTH PERIOD ENDED 30 June 2018

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

		Current period	**Current period**	**Prior period**	**Prior period**
		Reviewed	***Reviewed***	***Reviewed***	***Reviewed***
	Notes	**1 January- 30 June 2018**	**1 April- 30 June 2018**	**1 January-30 June 2017**	**1 April-30 June 2017**
Revenue	*17*	1.700.886	892.486	1.531.308	842.063
Cost of revenue (-)	*17*	(1.400.338)	(738.913)	(1.242.203)	(688.707)
GROSS PROFIT		**300.548**	**153.573**	**289.105**	**153.356**
Marketing expenses (-)	*18*	(229.055)	(119.447)	(210.771)	(107.311)
General administrative expenses (-)	*18*	(27.358)	(12.864)	(22.522)	(11.333)
Other income from operating activities	*19*	22.767	17.955	18.506	10.934
Other expenses from operating activities (-)	*19*	(42.506)	(24.557)	(32.411)	(18.002)
RESULTS FROM OPERATING		**24.396**	**14.660**	**41.907**	**27.644**
Income from investing activities	*20*	63	350	421	22
Expenses from investing activities (-)	*20*	(17)	--	--	--
Impairment gain/ (loss) and reversal of impairment determined in accordance with TFRS 9		110	(10)	(668)	(479)
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSE		**24.552**	**15.000**	**41.660**	**27.187**
Finance expenses (-)	*21*	(34.713)	(19.675)	(29.949)	(16.859)
OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX		**(10.161)**	**(4.675)**	**11.711**	**10.328**
Tax (expense)/income					
- Current tax expense		--	--	--	--
- Deferred tax (expense)/income		26	(1.120)	(2.639)	(2.218)
PROFIT/(LOSS) FOR THE PERIOD		**(10.135)**	**(5.795)**	**9.072**	**8.110**
Attributable to:					
Non-controlling interests		--	--	--	--
Owners of the Company		**(10.135)**	**(5.795)**	**9.072**	**8.110**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss		**5**	**--**	**5**	**--**
Gains/(losses) on remeasurement of defined benefit plans		*6*	--	*6*	--
Income tax related to items that will not be reclassified to profit or loss		*(1)*	--	*(1)*	--
Items that are or may be reclassified to profit or loss		**237**	**(11)**	**(55)**	**708**
Losses on cash flow hedges	*22*	*301*	*(14)*	*(69)*	*885*
Income tax related to items that are or may be reclassified to profit or loss		*(64)*	*3*	*14*	*(177)*
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(9.893)**	**(5.806)**	**9.022**	**8.818**
Earnings/(loss) per share		(0,0009)	(0,0005)	0,0008	0,0007

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

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

					Other comprehensive income that will not be reclassified to profit or loss		Other comprehensive income that are or may be reclassified to profit or loss	Retained earnings/Accumulated losses		
	Paid in share capital	Adjusments to share capital	Restricted reserves	Other reserves	Gain / (losses) on remeasurement of defined benefit plans	Gains on revaluation of property, plant and equipment	Cash flow hedge reserve	Prior years' profit/ (losses)	Net profit/ (loss) for the period	Total equity
Prior period										
Balance at 1 January 2017	**110.000**	**6.628**	**8.704**	**3**	**(1.778)**	**21.908**	**--**	**(46.767)**	**(160.613)**	**(61.915)**
Transfers	--	--	--	--	--	--	--	(160.613)	160.613	--
Total comprehensive income	--	--	--	--	5	--	(55)	--	9.072	9.022
Balance at 30 June 2017	**110.000**	**6.628**	**8.704**	**3**	**(1.773)**	**21.908**	**(55)**	**(207.380)**	**9.072**	**(52.893)**
Current period										
Balance at 1 January 2018	**110.000**	**6.628**	**8.704**	**3**	**(2.567)**	**21.908**	**(237)**	**(207.380)**	**19.568**	**(43.373)**
Transfers	--	--	--	--	--	--	--	19.568	(19.568)	--
Total comprehensive income	--	--	--	--	5	--	237	--	(10.135)	(9.893)
Balance at 30 June 2018	**110.000**	**6.628**	**8.704**	**3**	**(2.562)**	**21.908**	**--**	**(187.812)**	**(10.135)**	**(53.266)**

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

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

	Notes	Current period *Reviewed* 1 January – 30 June 2018	Prior period *Reviewed* 1 January – 30 June 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) for the period		(10.135)	9.072
Adjustments:			
Adjustments for interest expense	*21*	34.713	29.949
Adjustments for depreciation and amortisation expenses	*10,11,12*	16.058	17.062
Adjustments for fair value (gains) or losses on derivative financial instruments		64	--
Adjustments for (reversal)/provision for employee benefits		(3.227)	2.745
Adjustments for impairment of receivables	*7*	(2.608)	269
Adjustments for (reversal)/provision for other provisions		57	(7.636)
Adjustments for the (gains)/losses on sales of property, plant and equipment	*20*	17	(268)
Adjustments for reversal of impairment of property, plant and equipment	*11,12*	(4.639)	(676)
Adjustments for (reversal)/impairment of inventory	*8*	3.516	(2.623)
Adjustments for interest income	*20*	(63)	(153)
Adjustments for tax expense/(income)		(26)	2.639
		33.727	**50.380**
Changes in working capital:			
Increase in trade receivables from third parties		(30.851)	(32.874)
Decrease in trade receivables from related parties	*4*	(6.058)	(345)
Increase in inventories	*8*	(100.839)	(101.781)
Increase in other assets related to operations		(35.481)	623
Decrease in trade payables to third parties		(59.251)	(118.197)
Decrease in trade payables to related parties	*4*	(2.641)	(3.759)
Increase/(decrease) in other liabilities related to operations		(28.192)	(2.199)
Payments related to provisions for employee benefits		(1.124)	(2.733)
		--	(16.766)
Cash used in operations		**(230.710)**	**(227.651)**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	*11*	(11.870)	(4.480)
Acquisition of intangible assets	*12*	(7.102)	(4.655)
Proceeds from sale of property, plant and equipment and intangible assets		4.735	749
Interest received		63	153
Cash used in investment activities		**(14.174)**	**(8.233)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	*21*	(34.713)	(29.949)
Proceeds from loans borrowings	*6*	231.666	124.400
Cash provided from financing activities		**196.953**	**94.451**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(47.931)**	**(141.433)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (A+B+C)	*5*	**72.703**	**156.094**
D. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	*5*	**24.772**	**14.661**

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Teknosa İç ve Dış Ticaret Anonim Şirketi, ("Teknosa" or "the Company") was established on 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 main shareholders are Hacı Ömer Sabancı Holding A.Ş. and Sabancı Family members. Number of personnel of the Company is 2.407 as at 30 June 2018 (31 December 2017: 2.570). The Company is registered in Turkey and operates under the laws and regulations of Turkish Commercial Code.

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

The Company operates in Turkey in 207 stores with 109.416 square meters retail space as at 30 June 2018 (31 December 2017: 110.346 square meters, 204 stores). The registered office address of the Company is as follows:

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

Ataşehir – İstanbul

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

The accompanying financial statements of the Company are prepared in accordance with the Communiqué Serial II, No:14.1 "Communiqué on Financial Reporting Standards in Capital Markets" ("Communiqué") issued by Capital Markets Board ("CMB") on 13 June 2013 and published in the Offıcial Gazette numbered 28676 and are based on the Turkish Accounting Standards ("TAS") and related interpretations which are endorsed by the Public Oversight Accounting and Auditing Standards Authority ("POA") in accordance with the 5th Article of the Communiqué.

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

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

(ii) Preparation and approval of financial statements

The accompanying condensed interim financial statements and notes are prepared in accordance with "Announcement on Financial Statements and Disclosure Formats" of CMB numbered 20/670 and dated 7 June 2013. The condensed interim financial statements of the Company as at and for the six months period ended 30 June 2018 have been approved by the Board of Directors on 7 August 2018. General Assembly and the legal authorities have the authority to amend the issued financial statements.

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

2.1 Basis of Presentation (Continued)

(iii) Presentation and functional currency

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

(iv) Preparation of financial statements in hyperinflationary periods

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

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

The interim financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences. Reclassifications made on the interim statements of profit or loss and other comprehensive income for the six-month period ended 30 June 2018 are presented as below:

- The Company reclassified gain from disposal of fixed assets amounting to TL 268 previously presented under "other expenses from operating activities" to "income from investing activities" in its comparative statement of profit or loss and other comprehensive income for year ended 30 June 2017.

The related reclassification has no effect on the loss for the interim period ended 30 June 2017.

The reclassifications are considered in the preparation of the condensed interim statement of cash flows for the six months period ended 30 June 2017.

2.2 Changes in accounting policies

The significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2017.

2.2.1. TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations.

The Company has adopted TFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – in other words it is presented, as previously reported, under TAS 18, TAS 11 and related interpretations. The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's various goods and services are set out below.

The accounting policies applied in the condensed interim financial statements as at and for the interim period ended 30 June 2018 are the same as those applied in the last annual financial statements as at and for the year ended 31 December 2017.

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

2.2 Changes in accounting policies (Continued)

2.2.1. TFRS 15 Revenue from Contracts with Customers (Continued)

i) Retail sales revenues

The Company's retail sales revenue is recognized when a customer obtains control of the goods. Determining the timing of the transfer of control – at a point in time or over time – requires judgment. Since the Company generally carries out retail sales with cash or credit cards and customers obtain control of the goods as sales are realized, revenue is recognized at the time of sale. In case of the control period does not occur at the same time, revenue is recognized as revenue in the following period.

TFRS 15 did not have a significant effect on the recognition of the Company's retail sales revenues.

ii) Turnover premiums and supplier discounts

The Company turnover premiums income from supplier contracts and supplier discounts are accounted for an accrual basis in the period of the Company benefits from premiums and deductions with the cost of goods sold. TFRS 15 did not have a significant effect on the recognition of the Company's turnover premiums and supplier discounts.

iii) Customer gift checks

Gift checks sold by the Company to its customers are classified under other current liabilities section as deferred revenue. Moreover, gift checks are recorded as income as they are used by the customers. Related gift checks are used by the customer, related amount which is classified as deferred income, is recorded as sales revenue. The Company recognises income from the gift checks by estimating the portion which will not be used by the customers based on the historic data. Gift checks that are not expected to be used by the customers are classified under deferred revenue in the financial statements.

TFRS 15 did not have a significant effect on the recognition of the Company's customer gift checks.

2.2.2. TFRS 9 Financial Instruments

TFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

i. Classification and measurement of financial assets and financial liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

Detailed information on how the Company classifies, measures and recognizes the related income and expenses in accordance with TFRS 9 is presented below.

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

2.2 Changes in accounting policies (Continued)

2.2.2. TFRS 9 Financial Instruments (Continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets;

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

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

2.2 Changes in accounting policies (Continued)

2.2.2. TFRS 9 Financial Instruments (Continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

The adoption of TFRS 9 on 1 January 2018 does not have a significant effect on the carrying amounts of financial assets, as explained in more detail below

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Company's financial assets as at 1 January 2018.

	Original classification under TAS 39	New classification under TFRS 9	Original carrying amount under TAS 39	New carrying amount under TFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	72.703	72.703
Trade receivables	Loans and receivables	Amortized cost	56.128	56.128
Other receivables	Loans and receivables	Amortized cost	501	501

ii. Impairment of financial assets

TFRS 9 replaces the "incurred loss" model in TAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost and contract assets but not to investments in equity instruments.

The financial assets at amortized cost consist of trade receivables, corporate borrowing instruments and cash and cash equivalents. The Company recognizes loss allowances for the expected credit losses of the following items under TFRS 9:

- Financial assets measured at amortized cost;

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- Bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

2.2 Changes in accounting policies (Continued)

2.2.2. TFRS 9 Financial Instruments (Continued)

ii. Impairment of financial assets (Continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its obligations arising from retail sales, turnover premiums contracts and supplier discounts to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or the financial asset is more than 360 days past due.

The Company considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime expected credit losses are that result from all possible default events over the expected life of a financial instrument 12-month expected credit losses are that result from possible default events within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of expected credit losses:

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

Expected credit losses are discounted at the effective interest rate of the financial asset.

For trade receivables, other receivables, other assets and contract assets the Company applies the simplified approach to providing for expected credit losses (TFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The Company performed the calculation of expected credit losses rates separately for receivables arising from retail sales, turnover premium contracts. The expected credit losses were calculated based on actual credit loss experience over the past years.

Exposures within each group were segmented based on common credit risk characteristics such as delinquency status.

Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Future collection performance of receivables are estimated by considering general economic conditions to incorporate forward looking information to the expected credit loss calculations.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

2.2 Changes in accounting policies (Continued)

2.2.2. TFRS 9 Financial Instruments (Continued)

Credit-impaired financial assets (Continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 90 days past due;

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial re-organization; or

- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. As a result, the Company reclassified impairment losses amounting to TL 668 recognized under TAS 39, from 'general administrative expenses' to "Impairment gain/ (loss) and reversal of impairment loss determined in accordance with TFRS 9" in the interim condensed statement of profit or loss for the six monthss period ended 30 June 2017.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery (such as a debtor failing to engage in a repayment plan with the Company). Where trade receivables, other receivables, other assets and contract assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Impact of the new impairment model

As of 1 January 2018, there is no significant impact on the provision for impairment of the new model in accordance with TFRS 9.

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

2.3 Changes in accounting policies, estimates and error

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

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods. The Company has no significant changes in the accounting estimates as at and for the interim period ended 30 June 2018 compared to use in previous year.

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 30 June 2018

Standards issued but not yet effective and not early adopted

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

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS Interpretation 23.

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

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 30 June 2018 (Continued)

Amendments to TFRS 9 - Prepayment features with negative compensation

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

The Company does not expect that application of these amendments to TAS 28 will have significant impact on its financial statements.

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

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

The Company does not expect that application of these amendments to TAS 28 will have significant impact on its financial statements

The new standards, amendments and interpretations that are issued by the IASB but not issued by POA

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

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

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

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

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

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

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

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 30 June 2018 (Continued)

Annual Improvements to IFRSs 2015-2017 Cycle (Continued)

Improvements to IFRSs (Continued)

IAS 12 Income Taxes

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

IAS 23 Borrowing Costs

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

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company does not expect that application of these amendments to IAS 19 will have significant impact on its financial statements.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 30 June 2018 (Continued)

The revised Conceptual Framework (Continued)

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

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

2.5 Critical judgments and estimates

Critical judgments in applying the Company's accounting policies

The Company management had made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Useful lives of property, plant and equipment and intangible assets

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

Impairment of property, plant and equipment and intangible assets

The Company assesses at each reporting date to determine whether there is any indication of impairment. If the stores which are operating more than 1 year generates operating profit/ (loss) before income tax lower than the planned performance result, this situation is assessed as an objective evidence for impairment. If any such indication exists, then the asset's recoverable amount is compared with the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If the carrying amount of an asset or any cash generating unit that the asset belongs to is higher than its net realizable value, the value of the asset has impaired. Additionally, the Company recognises allowance for impairment for the tangible assets of the stores for which the Company management has expected to close down. The allowance for impairment is calculated with rates applied on the net carrying amount as at the reporting date. The applied rate is 100% for the leasehold improvements and 50% for the equipment. The Company reversed the allowance on property, plant and equipment amounting to TL 4.639 as at 30 June 2018 (30 June 2017: TL 677).

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

2.5 Critical judgments and estimates (Continued)

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

Allowance on inventories

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

The Company makes aging analysis for its inventories based on certain date ranges from the acquisition date. Impairment is calculated for the old stock over 180 days with different rates applied for each date range based on the aging analysis as at reporting date. The Company recognised allowance on inventories amounting to TL 14.748 as at 30 June 2018 (31 December 2017: TL 14.140). (Note 8)

Deferred tax assets

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

Accounting of gift checks

The Company recognises income from the gift checks by estimating the portion which will not be used by the customers based on the historic data. As at 30 June 2018, the amount offset from the deferred revenue from the gift checks recognised in the financial statement is amounting to TL 4.834 (31 December 2017: TL 4.463)

Providing financial capability

The Company recognised net profit amounting to TL 10.135 for the period ended 30 June 2018. Accumulated losses is amounting to TL 187.812 as at 30 June 2018. The Company's total negative equity amount is TL 53.266 within the accumulated losses as at 30 June 2018.

Company management closed the nonperforming stores considering the future profitability factors, take necessary actions to reduce the rent expenses in the stores and the operational costs in the headquarter, manage its inventories to reduce the cost of inventories. As a result of the actions taken, the Company recognised the expenses and provisions in its financial statements. Company management still evaluates the strategies to improve the financial capability.

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

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

Providing financial capability (Continued)

In addition to this, the Company made an announcement on Public Disclosure Platform on 7 August 2018 as detailed below:

"The Company issued its financial statements as at 30 June 2018 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL(-) 53.266.000 and the brand value which is the off-balance sheet asset of the Company is amounting to full TL 315.159.000 are considered in accordance with the CMB's principal decision numbered 2014/11. There is no change in the negative equity status of the Company in these financial statements which are prepared in accordance with above mentioned the CMB regulations. As a result, statement of financial position is prepared in accordance with the related article of TCC 376 based on the CMB's principal decision numbered 2014/11. The brand value is included in the statement of financial position prepared in accordance with the related article of TCC 376.

Equity of this statement of financial position prepared in accordance with the related article of TCC 376 is amounting to full TL (+) 300.588.888. This indicates that the Company maintains its share capital amounting to full TL 110.000.000 in equity status.”

NOTE 3 – SEGMENT REPORTING

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

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

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

	1 January-30 June 2018		
	Stores	**Dealer Group**	**Total**
Total segment income	1.558.529	142.357	1.700.886
Income from third party customers	**1.558.529**	**142.357**	**1.700.886**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**48.191**	**13.928**	**62.119**

	1 January-30 June 2017		
	Stores	**Dealer Group**	**Total**
Total segment income	1.409.850	121.458	1.531.308
Income from third party customers	**1.409.850**	**121.458**	**1.531.308**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**57.870**	**17.018**	**74.888**

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

NOTE 3 – SEGMENT REPORTING (Continued)

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

	1 April – 30 June 2018		
	Stores	**Dealer Group**	**Total**
Total segment income	797.283	95.203	892.486
Income from third party customers	**797.283**	**95.203**	**892.486**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**21.929**	**8.213**	**30.142**

	1 April – 30 June 2017		
	Stores	**Dealer Group**	**Total**
Total segment income	758.072	83.991	842.063
Income from third party customers	**758.072**	**83.991**	**842.063**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**32.095**	**12.269**	**44.364**

	1 January – 30 June 2018	**1 April – 30 June 2018**	**1 January – 30 June 2017**	**1 April – 30 June 2017**
Reconciliation of EBITDA with profit before taxes:	**62.119**	**30.142**	**74.888**	**44.364**
Depreciation and amortisation expenses	(16.058)	(8.006)	(17.158)	(8.510)
Finance expenses	(34.713)	(19.675)	(29.949)	(16.859)
Income from investing activities	46	350	421	22
Effect of TFRS 9 application	110	(10)	(668)	(479)
Other expenses – net	(19.739)	(6.602)	(13.905)	(7.068)
Provision for employee termination benefits	(1.926)	(874)	(1.918)	(1.142)
Profit/(loss) before tax	**(10.161)**	**(4.675)**	**11.711**	**10.328**

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

NOTE 4 – RELATED PARTY DISCLOSURES

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

	30 June2018	
	Receivables	**Payables**
	Current	Current
Balances with related parties	Trading	Trading
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	6.081	6
Avivasa Emeklilik ve Hayat A.Ş.	1.754	--
Akbank T.A.Ş.	770	--
Çimsa Çimento San.ve Tic.A.Ş.	27	--
Brisa Bridgestone Sabancı Lastık San.Ve Tic.A.Ş.	15	--
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	11	328
Akçansa Çimento San. ve Tic. A.Ş.	7	--
Aksigorta A.Ş.	3	161
Temsa Global Sanayi ve Ticaret A.Ş.	--	1
Enerjisa Enerji A.Ş. and its subsidiaries	--	159
	8.668	**655**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

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

Deposit accounts in Akbank T.A.Ş.	**30 June 2018**	**31 December 2017**
Demand deposit	3.811	10.702
	3.811	**10.702**

Credit card slip receivables in Akbank T.A.Ş.	**30 June 2018**	**31 December 2017**
Credit card slip receivables	1.460	3.989
	1.460	**3.989**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	1 January – 30 June 2018			
Transactions with related parties	**Sale of goods**	**Interest Income**	**Rent expense**	**Other income / (expenses)**
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	5.039	--	(2.957)	(181)
Akbank T.A.Ş.	2.429	--	--	--
Avivasa Emeklilik ve Hayat A.Ş.	1.253	--	--	--
Akçansa Çimento San. ve Tic. A.Ş.	65	--	--	--
Aksigorta A.Ş.	49	--	--	(643)
Çimsa Çimento San.ve Tic.A.Ş.	41	--	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	34	--	--	--
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	4	--	--	--
Kordsa Teknik Tekstil A.Ş.	1	--	--	--
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	1	--	--	(506)
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	--	--	--	(1.051)
H.Ö. Sabancı Holding A.Ş.	--	--	--	(4)
	8.916	**--**	**(2.957)**	**(2.385)**

	1 January – 30 June 2017			
Transactions with related parties	**Sale of goods**	**Interest Income**	**Rent expense**	**Other income / (expenses)**
Akbank T.A.Ş.	13.444	3	--	--
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1.491	--	(2.240)	(149)
Akçansa Çimento San. ve Tic. A.Ş.	97	--	--	--
Avivasa Emeklilik ve Hayat A.Ş.	81	--	--	(348)
Aksigorta A.Ş	79	--	--	(1.514)
Çimsa Çimento San.ve Tic.A.Ş.	25	--	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	25	--	--	(1.636)
Philip Morris Sabancı Pazarlama Satış A.Ş	3	--	--	--
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	8	--	--	--
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	--	--	--	(585)
H.Ö. Sabancı Holding A.Ş.	--	--	--	(27)
	15.253	**3**	**(2.240)**	**(4.259)**

The Company's key management has been identified as the general managers and assistant general managers. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the periods ended 30 June 2018 and 2017 are as follows:

	1 January-30 June 2018	**1 January-30 June 2017**
Salaries and other benefits	3.827	2.517
	3.827	**2.517**

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

NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Cash	2.750	6.082
Demand deposit	12.882	33.543
Time deposit	--	9.757
Credit card slip receivables	9.140	23.321
	24.772	**72.703**

As at 30 June 2018, there is no time deposits. As at 31 December 2017, average effective interest rate on TL denominated time deposits is 13,4%. As at 30 June 2018, there is no maturity of time deposits (31 December 2017: 4 day).

The Company does not have any blocked deposits as at 30 June 2018 and 31 December 2017.

NOTE 6 – LOANS AND BORROWINGS

The details of loans and borrowings as at 30 June 2018 are as follows:

	30 June 2018			
	Currency	**Interest rate**	**Amount**	**Maturity**
Bank borrowings	TL	%20.48 - %22.58	231.666	2 July 2018
Short-term loans and borrowings			**231.666**	

There is no short term loans and borrowings as at 31 December 2017.

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as at 30 June 2018 and 31 December 2017 are as follows:

Short term trade receivables:

	30 June 2018	31 December 2017
Trade receivables	66.131	52.930
Notes receivables	30.660	13.010
Due from related parties (Note 4)	8.668	2.610
Allowance for doubtful receivables (-)	(9.814)	(12.422)
	95.645	**56.128**

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

Short term trade receivables: (continued)

The average maturity of the Company's trade receivables is 1-7 days for retail receivables and 63 days for dealer groups. (31 December 2017: For retail: 1-7 days, 50 days for dealer receivables). As of 30 June 2018, the Company does not apply overdue interest on trade receivables. (31 December 2017: None).

The Company's exposure to credit and foreign currency risk and impairment for trade receivables are disclosed in Note 23.

As at 30 June 2018 and 31 December 2017, the Company holds the collaterals listed below for the checks, notes and trade receivables:

	30 June 2018	31 December 2017
Letters of guarantees received	64.874	49.730
Mortgages	14.692	14.892
	79.566	**64.622**

Fair value of the collaterals which the Company is permitted to sell or repledge without the default by the owner of the collateral is TL 79.566 (31 December 2017: TL 64.622). As at the reporting date, there are not any collaterals or mortgages which are sold or re-pledged by the Company.

Short term trade payables:	30 June 2018	31 December 2017
Trade payables	605.959	669.731
Expense accruals	6.438	1.917
Due to related parties (Note 4)	655	3.296
	613.052	**674.944**

As at 30 June 2018, the Company offset income accruals from its suppliers amounting to TL 57.959 with trade payables (31 December 2017: TL 24.015). Average payment terms of trade payables is 78 days (31 December 2017: 82 days). The Company does not have payments on a monthly basis for late interest as of 30 June 2018. (31 December 2017: None.)

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

NOTE 8 – INVENTORIES

The details of the inventories as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Trading goods	533.228	434.724
Goods in transit	3.419	1.084
Allowance for impairment on inventories (-)	(20.828)	(17.312)
	515.819	**418.496**

The movements of allowance on inventories for the periods ended at 30 June 2018 and 2017 are as below

Allowance for impairment on inventories:	1 January – 30 June 2018	1 January – 30 June 2017
As at 1 January	(17.312)	(16.763)
Change of the period	(3.516)	2.623
As at 30 June	**(20.828)**	**(14.140)**

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of prepaid expenses as at 30 June 2018 and 31 December 2017 are as follows:

Short-term prepaid expenses	30 June 2018	31 December 2017
Advances given for inventories	34.785	916
Short term prepaid expenses	6.206	4.702
	40.991	**5.618**

Long-term prepaid expenses	30 June 2018	31 December 2017
Long term prepaid expenses	353	432
	353	**432**

The details of the deferred revenue as at 30 June 2018 and 31 December 2017 are as follows:

Short-term deferred revenue	30 June 2018	31 December 2017
Income from gift checks	7.589	9.222
Advances received	6.484	8.341
Other	453	97
	14.526	**17.660**

NOTE 10 – INVESTMENT PROPERTY

The Company generates rental income by TL 180 (2017: TL 240) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 359 (2017: TL 355). Operating expenses which are not related to the Teknosa store are distributed to lessees.

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

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

The fair value of the buildings determined based on the highest and best of the current value in use.

As of 30 June 2018 and 2017, there is no indication of impairment related to the fair value of the land and building.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENTS

The movement of tangible assets and related accumulated depreciation for the period ended 30 June 2018 are as follows:

Cost	Land	Building	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2018	**26.505**	**6.363**	**369**	**57**	**80.926**	**104.128**	**1.150**	**219.498**
Additions	--	--	--	--	2,259	4.232	5.379	11.870
Disposals	--	--	--	--	(5.011)	(10.939)	--	(15.950)
Allowance for impairment	--	--	--	--	(263)	(3)	--	(266)
Reversal of impairment	--	--	--	--	972	9.544	--	10.516
Transfers from construction in progress	--	--	--	--	401	767	(2.687)	(1.519)
Balance at 30 June 2018	**26.505**	**6.363**	**369**	**57**	**79.284**	**107.729**	**3.842**	**224.149**
Accumulated depreciation and impairment losses								
Balance at 1 January 2018	**--**	**(3.835)**	**(352)**	**(46)**	**(58.366)**	**(71.978)**	**--**	**(134.577)**
Charge for the period	--	(28)	(14)	(3)	(4.702)	(5.118)	--	(9.865)
Disposals	--	--	--	--	4.939	6.285	--	11.224
(Allowance for) / reversal of impairment, net (*)	--	--	--	--	(394)	(5.217)	--	(5.611)
Balance at 30 June 2018	**--**	**(3.863)**	**(366)**	**(49)**	**(58.523)**	**(76.028)**	**--**	**(138.829)**
Net carrying amount at 30 June 2018	**26.505**	**2.500**	**3**	**8**	**20.761**	**31.701**	**3.842**	**85.320**
Net carrying amount at 31 December 2017	**26.505**	**2.528**	**17**	**11**	**22.560**	**32.150**	**1.150**	**84.921**

(*) As of 30 June 2018, the impairment loss calculated for property, plant and equipment is TL 426 (2017: TL 124) Amount of impairment reversed during the period is TL 5.065 (2017: TL 612). Included in marketing expenses of TL 5.327 (2017: TL 5.713) and general administrative expenses of TL 4.538 (2017: TL 4.867) are amortization charges.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENTS (Continued)

The movement of tangible assets and related accumulated depreciation for the period ended 30 June 2017 are as follows:

Cost	Land	Building	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2017	26.505	6.323	339	57	83.537	97.844	341	214.946
Additions	--	--	--	--	1.190	2.582	708	4.480
Disposals	--	--	--	--	(2.269)	(947)	--	(3.216)
Allowance for impairment	--	--	--	--	(671)	(502)	--	(1.173)
Reversal of impairment	--	--	--	--	662	1.962	--	2.624
Transfers from construction in progress	--	--	--	--	--	--	(327)	(327)
Balance at 30 June 2017	**26.505**	**6.323**	**339**	**57**	**82.449**	**100.939**	**722**	**217.334**
Accumulated depreciation and impairment losses								
Balance at 1 January 2017	--	(3.779)	(285)	(39)	(56.693)	(55.406)	--	(116.202)
Charge for the period	--	(28)	(20)	(3)	(4.857)	(5.672)	--	(10.580)
Disposals	--	--	--	--	2.129	606	--	2.735
(Allowance for) / reversal of impairment, net	--	--	--	--	251	(1.026)	--	(775)
Balance at 30 June 2017	**--**	**(3.807)**	**(305)**	**(42)**	**(59.170)**	**(61.498)**	**--**	**(124.822)**
Net carrying amount at 30 June 2017	**26.505**	**2.516**	**34**	**15**	**23.279**	**39.441**	**722**	**92.512**
Net carrying amount at 31 December 2016	**26.505**	**2.544**	**54**	**18**	**26.844**	**42.438**	**341**	**98.744**

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

NOTE 12 – INTANGIBLE ASSETS

Cost	**Licenses and Rights**	**Total**
Opening balance at 1 January 2018	88.777	88.777
Additions	7.102	7.102
Disposals	(291)	(291)
Transfers from construction in progress	1.519	1.519
Closing balance at 30 June 2018	**97.107**	**97.107**
Accumulated amortisation and impairment losses		
Opening balance at 1 January 2018	(64.593)	(64.593)
Charge for the year	(6.193)	(6.193)
Disposals	271	271
Closing balance at 30 June 2018	**(70.515)**	**(70.515)**
Net book value as at 30 June 2018	**26.592**	**26.592**
Net book value as at 31 December 2017	**24.184**	**24.184**

Cost	**Licenses and Rights**	**Total**
Opening balance at 1 January 2017	**77.583**	**77.583**
Additions	4.655	4.655
Transfers from construction in progress	327	327
Closing balance at 30 June 2017	**82.565**	**82.565**
Accumulated amortisation and impairment losses		
Opening balance at 1 January 2017	**(55.296)**	**(55.296)**
Charge for the year	(6.482)	(6.482)
Closing balance at 30 June 2017	**(61.778)**	**(61.778)**
Net book value as at 30 June 2017	**20.787**	**20.787**

Amortisation expenses amounting to TL 3.840 (2017: TL 4.398) are included in marketing expenses and TL 2.353 (2017: TL 2.084) are included in general administrative expenses.

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

NOTE 13– PAYABLES RELATED TO EMPLOYEE BENEFITS

The details of payables related to employee benefits as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Accrued salaries	7.511	7.324
Social security premiums payable	6.332	7.527
Income taxes payable	1.550	2.026
	15.393	**16.877**

The details of the provisions for employee benefits as at 30 June 2018 and 31 December 2017 are as follows:

Short-term provisions	30 June 2018	31 December 2017
Provision for unused vacation	3.220	2.572
Provision for sales personnel premium	1.636	5.107
Provision for other premium	620	2.550
	5.476	**10.229**

Long-term provisions	30 June 2018	31 December 2017
Provision for employee termination benefit	5.884	5.694
Provision for other premium	1.394	872
	7.278	**6.566**

Provisions for employment benefits

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

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

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

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

Long-term provisions (continued)

Provisions for employment benefits (continued)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Due to the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30. June 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4,23 % real discount rate (31 December 2017: 4.23%) calculated by using 6,50% annual inflation rate and 11,00% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel for 0-15 years are taken into consideration as 7,26 % and 12,63%, respectively (31 December 2017: 8,52% and 15,19%), and 0% for employees working for 16 years and over. Ceiling for retirement pay is revised semi-annually. Probability has been determined as 100% for employees whose insurance register began before September 1999 (140 personnel) and the provision has been calculated accordingly.

NOTE 14 – PROVISIONS

The details of the other current provisions as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	**31 December 2017**
Provisions for ongoing litigation (*)	10.082	10.208
Provision for cancellation of rent agreements (**)	2.313	2.313
Other	320	137
	12.715	**12.658**

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

(**) Provision for cancellation of rent agreements is comprised of penalties to be paid to landlords related to store closures before the termination date of the rent agreements. For the year ended 31 December 2017, the Company paid the penalties with a discount as a result of the negotiations with the landlords.

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

NOTE 15 – COMMITMENTS

Operating lease agreements

The Company leases various sales areas, offices and warehouses by operating lease agreements. Rental periods of the rent agreements vary between 1-10 years. The lease agreements require a payment of a certain monthly rent or a portion of the revenue of the store. The lease agreements are mainly denominated in TL, Euro and USD and the rent amounts are increased by the inflation rate or a rate close to the inflation rate during the rental period. According to the current code of obligations, as long as the lessee does not terminate the agreement, lease agreements can only be cancelled by the lessor due to irregularities.

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

	30 June 2018	31 December 2017
Less than 1 year	167.209	160.020
Between 1-5 years	442.309	466.664
More than 5 years	111.030	136.123
	720.548	**762.807**

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages ("CPM") given by the Company as at 30 June 2018 and 31 December 2017 are as follows:

CPMs given by the Company	**30 June 2018**			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**235.989**	**8.563**	**6.158**	**164.242**
- Collaterals	224.221	7.584	4.782	164.242
-Letter of credit	11.768	979	1.376	--
- Pledges	--	--	--	--
- Mortgages	--	--	--	--
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	**--**	**--**	**--**	**--**
D. Total amount of other CPM	--	--	--	--
Total CPM	**235.989**	**8.563**	**6.158**	**164.242**

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

NOTE 15 – COMMITMENTS (Continued)

Collateral, pledge, mortgage position (continued)

CPMs given by the Company	31 December 2017			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**129.505**	**16.420**	**5.322**	**43.535**
- Collaterals	94.496	7.652	4.894	43.535
-Letter of Credit	35.009	8.768	428	--
- Pledges				
- Mortgages	--	--	--	--
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	--	--	--	--
D. Total amount of other CPM	--	--	--	--
Total CPM	**129.505**	**16.420**	**5.322**	**43.535**

The ratio of the CPM given on behalf of third parties except for the CPM given on behalf of the Company's own legal personality to total equity is 0% as at 30 June 2018 (31 December 2017: 0%).

As at 30 June 2018 and 31 December 2017, the Company is mainly contingently liable in respect of bank letter of guarantees obtained from banks given to lessors in accordance with the lease agreements, enforcement office related to ongoing lawsuits and custom related to import transactions.

NOTE 16 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current and non-current assets as at 30 June 2018 and 31 December 2017 are as follows:

Other current assets	30 June 2018	31 December 2017
Advances given	1.318	1.438
Personnel advances	125	274
Other current assets	815	102
	2.258	**1.814**

The details of the other current liabilities as at 30 June 2018 and 31 December 2017 are as follows:

Other current liabilities	30 June 2018	31 December 2017
Value added tax ("VAT") payable	3.606	21.452
Other expense accruals [(*)]	1.295	7.605
Other liabilities and obligations	415	430
	5.316	**29.487**

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

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

NOTE 17 - REVENUE

The details of revenue and cost of revenue for six months periods ended 30 June 2018 and 2017 are as follows.

Revenue (net)	**1 January – 30 June 2018**	**1 April – 30 June 2018**	**1 January – 30 June 2017**	**1 April – 30 June 2017**
Retail sales	1.558.529	797.283	1.409.850	758.072
Dealer sales	142.357	95.203	121.458	83.991
	1.700.886	**892.486**	**1.531.308**	**842.063**

Cost of revenue	**1 January – 30 June 2018**	**1 April – 30 June 2018**	**1 January – 30 June 2017**	**1 April – 30 June 2017**
Cost of trading goods sold	(1.392.210)	(732.751)	(1.236.184)	(683.688)
Installation and warranty expenses	(8.128)	(6.162)	(6.019)	(5.019)
	(1.400.338)	**(738.913)**	**(1.242.203)**	**(688.707)**

NOTE 18 –MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for six months periods ended 30 June 2018 and 2017 are as follows:

Marketing expenses	**1 January – 30 June 2018**	**1 April – 30 June 2018**	**1 January – 30 June 2017**	**1 April – 30 June 2017**
Rent expenses	87.503	45.106	73.227	37.180
Personnel expenses	71.406	35.733	71.451	36.084
Advertising and promotion expenses	31.890	19.019	27.367	14.827
Transportation expenses	9.923	5.328	10.538	5.923
Depreciation and amortisation expenses	9.167	4.469	10.111	4.980
Energy, fuel and water expenses	5.354	2.556	5.329	2.350
Maintenance and cleaning expenses	3.428	2.009	2.936	1.398
Consultancy expenses	2.698	1.491	3.328	1.861
Communication expenses	709	387	637	387
Travel and accommodation expenses	607	297	504	237
Other expenses	6.370	3.061	5.343	2.084
	229.055	**119.447**	**210.771**	**107.311**

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

NOTE 18 – MARKETING AND ADMINISTRATIVE EXPENSES (Continued)

The details of administrative expenses for six months periods ended 30 June 2018 and 2017 are as follows:

Administrative expenses	1 January –30 June 2018	1 April –30 June 2018	1 January –30 June 2017	1 April –30 June 2017
Personnel expenses	9.724	4.152	8.311	4.524
Depreciation and amortisation expenses	6.891	3.537	7.047	3.531
IT expenses	5.634	2.733	4.042	1.821
Rent expenses	2.098	1.150	38	3
Consultancy expenses	1.810	759	1.434	698
Travel expenses	239	104	191	88
Maintenance expenses	216	115	278	126
Energy, fuel, water expenses	54	46	108	77
Other expenses	692	268	1.073	467
	27.358	**12.864**	**22.522**	**11.335**

NOTE 19 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for six months periods ended 30 June 2018 and 2017 are as follows:

Other income from operating activities	1 January –30 June 2018	1 April –30 June 2018	1 January –30 June 2017	1 April –30 June 2017
Interest income on credit sales	12.590	9.858	4.835	3.860
Foreign exchange gains	4.569	3.275	4.849	1.791
Insurance income	2.216	2.216	--	--
Gains from unused gift checks	377	138	356	7
Income from personnel	382	114	372	237
Reversal of provisions for cancellation of rent agreements (*)	--	--	7.264	5.039
Other income	2.633	2.354	830	--
	22.767	**17.955**	**18.506**	**10.934**

(*) There is no reversal of provisions for cancellation of rent agreements is comprised of the remaining amount released as a result of a settlement or the penalty payments with a discount to the landlords (2017: TL 7.264)

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

NOTE 19 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (Continued)

The details of other expense from operating activities for six months periods ended 30 June 2018 and 2017 are as follows:

Other expense from operating activities	**1 January –30 June 2018**	**1 April –30 June 2018**	**1 January –30 June 2017**	**1 April –30 June 2017**
Interest expenses on payables	34.737	20.214	21.520	12.007
Foreign exchange loss	4.316	2.896	5.674	2.751
Litigation expenses	1.768	99	1.651	460
Other expenses	1.685	1.348	3.566	2.784
	42.506	**24.557**	**32.411**	**18.002**

NOTE 20 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of income from investing activities for six months periods ended 30 June 2018 and 2017 are as follows:

Income from investing activities	**1 January –30 June 2018**	**1 April –30 June 2018**	**1 January –30 June 2017**	**1 April –30 June 2017**
Interest income on time deposits	63	--	153	--
Gain from sale of fixed assets	--	350	268	22
	63	**350**	**421**	**22**

Expense from investing activities

The details of expense from investing activities for six months periods ended 30 June 2018 and 2017 are as follows:

	1 January –30 June 2018	**1 April –30 June 2018**	**1 January –30 June 2017**	**1 April –30 June 2017**
Loss from sale of fixed assets	(17)	--	--	--
	(17)	**--**	**--**	**--**

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

NOTE 21 – FINANCE EXPENSES

The details of finance expense for six months periods ended 30 June 2018 and 2017 are as follows:

	1 January –30 June 2018	**1 April –30 June 2018**	**1 January –30 June 2017**	**1 April –30 June 2017**
Interest and commission expenses	15.200	9.225	11.282	7.158
Credit card commission expenses	9.811	5.376	4.294	2.164
Credit card discount expenses	9.223	4.772	14.036	7.370
Guarantee letters commission expenses	368	255	290	142
Other finance expenses	111	47	47	25
	34.713	**19.675**	**29.949**	**16.859**

NOTE 22 – DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2018		**31 December 2017**	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	--	--	--	304
Short-term	--	--	--	304
	--	--	--	**304**

As at 31 December 2017, the Company signed foreign currency forward contracts with the maturities in four months in order to hedge the foreign exchange exposures arising from the purchases denominated in foreign currency of the dealers. As at 31 December 2017 the total nominal amount of foreign exchange forward contracts that the Company is obliged to realize and which are not due is TL 32.467. As at 31 December 2017, fair value of the Company's foreign currency forward contracts is estimated to be approximately TL 304 as a liability. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. The fair value of the foreign currency forward contracts that are designated and effective as cash flow hedges amounting to TL 304 has been accounted for under equity. As at 30 June 2018, there is no open foreign currency forward contracts.

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

NOTE 23 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Foreign currency risk

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

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

Foreign Currency Position	**30 June 2018**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	1.777	356	28	109
2a.Monetary financial assets (including cash on hand and bank accounts)	549	54	57	--
2b.Non monetary financial assets	34.731	5.223	2.055	--
3. Other	--	--	--	--
4. CURRENT ASSETS (1+2+3)	**37.052**	**5.632**	**2.140**	**109**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	283	62	--	--
7. Other	--	--	--	--
8. NON CURRENT ASSETS (5+6+7)	**283**	**62**	**--**	**--**
9. TOTAL ASSETS (4+8)	**37.335**	**5.694**	**2.140**	**109**
10. Trade payables	(6.148)	--	(1.158)	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	(3.922)	(356)	(433)	--
12b. Non monetary other liabilities	--	--	--	--
13. CURRENT LIABILITIES (10+11+12)	**(10.070)**	**(356)**	**(1.591)**	**--**
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non monetary other liabilities	--	--	--	--
17. NON CURRENT LIABILITIES (14+15+16)	**--**	**--**	**--**	**--**
18. TOTAL LIABILITIES (13+17)	**(10.070)**	**(356)**	**(1.591)**	**--**
19. Net position of financial statement (9+18)	**27.265**	**5.338**	**549**	**109**
Off-balance sheet derivative assets	**--**	**--**	--	--
Off-balance sheet derivative liabilities	--	--	--	--
20. Net position of foreign currency derrivatives	**--**	**--**	**--**	**--**
21. Net position of foreign currency asset / (liability) (19+20)	**27.265**	**5.338**	**549**	**109**
22. Net position of monetary foreign currency asset / (liability) (19)-(3+7)	**27.265**	**5.338**	**549**	**109**
23. Total fair value of foreign currency hedge	**--**	**--**	**--**	**--**
24. The amount for the hedged portion foreign currency assets	**--**	**--**	**--**	**--**
25. The amount for the hedged portion of foreign currency liabilities	**--**	**--**	**--**	**--**

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

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

Foreign Currency Position	**31 December 2017**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	950	251	--	109
2a.Monetary financial assets (including cash on hand and bank accounts)	1.431	8	254	--
2b.Non monetary financial assets	826	200	13	--
3. Other	--	--	--	--
4. CURRENT ASSETS (1+2+3)	**3.207**	**459**	**267**	**109**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	234	62	--	--
7. Other	--	--	--	--
8. NON CURRENT ASSETS (5+6+7)	**234**	**62**	**--**	**--**
9. TOTAL ASSETS (4+8)	**3.441**	**521**	**267**	**109**
10. Trade payables	(7.253)	(987)	(640)	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	(3.401)	(349)	(378)	--
12b. Non monetary other liabilities	--	--	--	--
13. CURRENT LIABILITIES (10+11+12)	**(10.654)**	**(1.336)**	**(1.018)**	**--**
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non monetary other liabilities	--	--	--	--
17. NON CURRENT LIABILITIES (14+15+16)	--	--	--	--
18. TOTAL LIABILITIES (13+17)	**(10.654)**	**(1.336)**	**(1.018)**	**--**
19. Net position of financial statement (9+18)	**(7.213)**	**(815)**	**(751)**	**109**
Off-balance sheet derivative assets	31.571	8.370	--	--
Off-balance sheet derivative liabilities	--	--	--	--
20. Net position of foreign currency derrivatives	**31.571**	**8.370**	**--**	**--**
21. Net position of foreign currency asset / (liability) (19+20)	**24.358**	**7.555**	**(751)**	**109**
22. Net position of monetary foreign currency asset / (liability) (19)-(3+7)	**(7.213)**	**(815)**	**(751)**	**109**
23. Total fair value of foreign currency hedge	**--**	**--**	**--**	**--**
24. The amount for the hedged portion foreign currency assets	**--**	**--**	**--**	**--**
25. The amount for the hedged portion of foreign currency liabilities	**31.571**	**8.370**	**--**	**--**

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

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

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

Foreign Currency Sensitivity Table	**30 June 2018**	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	2.435	(2.435)
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**2.435**	**(2.435)**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	291	(291)
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**291**	**(291)**
In case 10% appreciation of other currency against TL		
7- Net assets/liabilities in other foreign currency	--	--
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	**--**	**--**
TOTAL (3 + 6+9)	**2.726**	**(2.726)**

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

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

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

Foreign Currency Sensitivity Table	**30 June 2017**	
	Profit / Loss	
	Appreciation of foreign currencies	Appreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	(81)	81
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**(81)**	**81**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(76)	76
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**(76)**	**76**
In case 10% appreciation of other currency against TL		
7- Net assets/liabilities in other foreign currency	--	--
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	**--**	**--**
TOTAL (3 + 6 +9)	**(157)**	**157**

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

NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

30 June 2018	**Amortized cost**	**Derivative financial instruments**	**Financial liabilities at amortised cost**	**Carrying value**	***Note***
Financial assets					
Cash and cash equivalents	24.772	--	--	24.772	*5*
Trade receivables (including due from related parties)	95.645	--	--	95.645	*6*
Other receivables (including due from related parties)	548	--	--	548	
	--	--	--		
Financial liabilities					
Bank borrowings	--	--	231.666	231.666	*7*
Trade payables (including due to related parties)	--	--	613.052	613.052	
Other payables (including due to related parties)	--	--	2.112	2.112	

31 December 2017	**Amortized cost**	**Derivative financial instruments**	**Financial liabilities at amortised cost**	**Carrying value**	***Note***
Financial assets					
Cash and cash equivalents	72.703	--	--	72.703	*5*
Trade receivables (including due from related parties)	56.128	--	--	56.128	*6*
Other receivables	501	--	--	501	
Financial liabilities					
Trade payables (including due to related parties)	--	--	674.944	674.944	*7*
Other payables	--	--	1.456	1.456	
Derivative liabilities	--	304	--	304	*22*

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

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

NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

Fair values of financial instruments:

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

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

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

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

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

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

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

NOTE 25 – EVENTS AFTER THE REPORTING PERIOD

The Company made a material disclosure on Public Disclosure Platform on 7 August 2018 in accordance with the CMB's principal decision 10 April 2014 dated and numbered 11/352 as detailed below:

"The Company issued its financial statements as at 30 June 2018 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL(-) 53.266.000 and the brand value which is the off-balance sheet asset of the Company is amounting to full TL 315.159.000 are considered in accordance with the CMB's principal decision numbered 2014/11. There is no change in the negative equity status of the Company in these financial statements which are prepared in accordance with above mentioned the CMB regulations. As a result, statement of financial position is prepared in accordance with the related article of TCC 376 based on the CMB's principal decision numbered 2014/11. The brand value is included in the statement of financial position prepared in accordance with the related article of TCC 376.

Equity of this statement of financial position prepared in accordance with the related article of TCC 376 is amounting to full TL (+) 300.588.888. This indicates that the Company maintains its share capital amounting to full TL 110.000.000 in equity status."