TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017 WITH INDEPENDENT AUDITOR'S REVIEW

(Originally issued in Turkish)

2 May 2017

This report includes 2 pages of independent auditors' review report and 37 pages of financial statements and notes to the financial statements.

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

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Teknosa İç ve Dış Ticaret A.Ş. (the"Company") as at 31 March 2017, and the condensed interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three month period then ended and notes to the condensed interim financial information ("condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2016 were audited and as at and for the three-month period ended 31 March 2016 were reviewed by another auditor who expressed an unmodified opinion on 13 February 2017 and unmodified conclusion 2 May 2016, respectively.

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

Fikret Selamet, SMMM
Partner
2 May 2017
İstanbul, Turkey

Additional paragraph for convenience translation to English

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

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

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TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Current period	Prior period
		Reviewed	*Audited*
	Notes	**31 March 2017**	**31 December 2016**
ASSETS			
Current assets		**521.398**	**579.697**
Cash and cash equivalents	*5*	8.019	156.094
Trade receivables	*7*	67.141	56.449
Trade receivables from related parties	*4*	*1.099*	*1.701*
Trade receivables from third parties	*7*	*66.042*	*54.748*
Inventories	*8*	424.427	352.687
Prepaid expenses	*9*	17.344	11.077
Other current assets	*16*	4.467	3.390
Non-current assets		**184.297**	**188.721**
Other receivables		518	556
Investment property	*10*	10.148	10.196
Property, plant and equipment	*11*	95.142	98.744
Intangible assets	*12*	21.823	22.287
Prepaid expenses	*9*	536	577
Deferred tax assets		56.130	56.361
TOTAL ASSETS		**705.695**	**768.418**

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period *Reviewed* 31 March 2017	Prior period *Audited* 31 December 2016
LIABILITIES			
Current liabilities		**762.148**	**825.742**
Short-term loans and borrowings	*6*	13.400	--
Trade payables	*7*	640.090	712.323
Due to related parties	*4*	*1.292*	*4.201*
Trade payables to third parties	*7*	*638.798*	*708.122*
Payables related to employee benefits	*13*	16.627	13.462
Other payables		1.261	1.198
Other payables to third parties		*1.261*	*1.198*
Deferred revenue	*9*	33.879	23.135
Short-term provisions		30.607	48.411
Short-term provisions for employee benefits	*13*	*5.603*	*7.545*
Other short-term provisions	*14*	*25.004*	*40.866*
Derivatives	*22*	953	--
Other current liabilities	*16*	25.331	27.213
Non-current liabilities		**5.258**	**4.591**
Long-term provisions for employee benefits	*13*	5.258	4.591
EQUITY		**(61.711)**	**(61.915)**
Share capital		110.000	110.000
Adjustments to share capital		6.628	6.628
Restricted reserves		8.704	8.704
Other reserves		3	3
Other comprehensive income that are or may be reclassified to profit or loss		(763)	--
Cash flow hedge reserve		*(763)*	--
Other comprehensive income that will not be reclassified to profit or loss		20.135	20.130
Gains on revaluation of property, plant and equipment		*21.908*	*21.908*
Losses on remeasurement of defined benefit plans		*(1.773)*	*(1.778)*
Prior years' losses		(207.380)	(46.767)
Net profit/(loss) for the period		962	(160.613)
TOTAL LIABILITIES		**705.695**	**768.418**

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	**Current period** *Reviewed* **1 January – 31 March 2017**	**Prior period** *Reviewed* **1 January – 31 March 2016**
Revenue	*17*	689.245	784.333
Cost of revenue (-)	*17*	(553.496)	(636.336)
GROSS PROFIT		**135.749**	**147.997**
Marketing expenses (-)	*18*	(103.460)	(123.437)
General administrative expenses (-)	*18*	(11.382)	(12.296)
Other income from operating activities	*19*	7.822	4.294
Other expenses from operating activities (-)	*19*	(14.409)	(21.935)
RESULTS FROM OPERATING ACTIVITIES		**14.320**	**(5.377)**
Income from investing activities	*20*	153	746
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSE		**14.473**	**(4.631)**
Finance expenses (-)	*21*	(13.090)	(15.606)
OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX		**1.383**	**(20.237)**
Tax (expense)/income		**(421)**	**2.532**
- Current tax expense		--	--
- Deferred tax (expense)/income		(421)	2.532
PROFIT/(LOSS) FOR THE PERIOD		**962**	**(17.705)**
Attributable to:			
Non-controlling interests		--	--
Owners of the Company		962	(17.705)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss		**5**	**(200)**
Gains/(losses) on remeasurement of defined benefit plans		*6*	*(250)*
Income tax related to items that will not be reclassified to profit or loss		*(1)*	*50*
Items that are or may be reclassified to profit or loss		**(763)**	**(5.782)**
Losses on cash flow hedges	*22*	*(953)*	*(7.228)*
Income tax related to items that are or may be reclassified to profit or loss		*190*	*1.446*
TOTAL COMPREHENSIVE INCOME/(LOSS)		**204**	**(23.687)**
Earnings/(loss) per share		0,0001	(0,0016)

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(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		
	Share capital	Adjustments to share capitals	Restricted reserves	Other reserves	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 2016	**110.000**	**6.628**	**8.704**	3	**(1.984)**	--	**288**	**47.456**	**(94.573)**	**76.522**
Transfers	--	--	--	--	--	--	--	(94.573)	94.573	--
Total comprehensive income	--	--	--	--	(200)	--	(5.782)	--	(17.705)	(23.687)
Balance at 31 March 2016	**110.000**	**6.628**	**8.704**	3	**(2.184)**	--	**(5.494)**	**(47.117)**	**(17.705)**	**52.835**
Current period										
Balance at 1 January 2017	**110.000**	**6.628**	**8.704**	**3**	**(1.778)**	**21.908**	--	**(46.767)**	**(160.613)**	**(61.915)**
Transfers	--	--	--	--	--	--	--	(160.613)	160.613	--
Total comprehensive income	--	--	--	--	5	--	(763)	--	962	204
Balance at 31 March 2017	**110.000**	**6.628**	**8.704**	**3**	**(1.773)**	**21.908**	**(763)**	**(207.380)**	**962**	**(61.711)**

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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

	Notes	Current period *Reviewed* 1 January – 31 March 2017	Prior period *Reviewed* 1 January – 31 March 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) for the period		962	(17.705)
Adjustments:			
Adjustments for interest expense	*21*	13.090	15.606
Adjustments for depreciation and amortisation expenses	*10,11,12*	8.647	9.617
Adjustments for (reversal)/provision for employee benefits		(604)	2.244
Adjustments for impairment of receivables		--	52
Adjustments for (reversal)/provision for other provisions		(15.862)	5.157
Adjustments for the (gains)/losses on sales of property, plant and equipment		(291)	1.190
Adjustments for reversal of impairment of property, plant and equipment	*11,12*	(401)	(1.486)
Adjustments for (reversal)/impairment of inventory	*8*	(2.673)	2.413
Adjustments for interest income	*21*	(153)	(746)
Adjustments for tax expense/(income)		421	(2.532)
		3.136	**13.810**
Changes in working capital:			
Increase in trade receivables from third parties		(11.294)	(16.003)
Decrease in trade receivables from related parties		602	189
Increase in inventories		(69.067)	(80.220)
Increase in other assets related to operations		(7.260)	(7.847)
Decrease in trade payables to third parties		(69.324)	(97.340)
Decrease in trade payables to related parties		(2.909)	(3.200)
Increase/(decrease) in other liabilities related to operations		12.090	(10.650)
Total adjustments			
Payments related to provisions for employee benefits		(671)	(1.812)
Payment related to other provisions		--	(10.538)
Cash used in operations		**(144.697)**	**(213.611)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	*11*	(1.792)	(5.054)
Acquisition of intangible assets	*12*	(2.625)	(1.832)
Proceeds from sale of property, plant and equipment and intangible assets		576	--
Interest received		153	746
Cash used in investment activities		**(3.688)**	**(6.140)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	*21*	(13.090)	(15.606)
Proceeds from loans borrowings		13.400	--
Cash provided from/(used in) financing activities		**310**	**(15.606)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(148.075)**	**(235.357)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	*5*	**156.094**	**305.285**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	*5*	**8.019**	**69.928**

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE COMPANY

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 2,670 as at 31 March 2017 (31 December 2016: 2.688). The Company is registered in Turkey and operates under the laws and regulations of Turkish Commercial Code.

In accordance with the resolution of the Board of Directors dated 6 April 2016, 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 208 stores with 117.633 square meters retail space as at 31 March 2017 (31 December 2016: 122.580 square meters, 210 stores). The registered office address of the Company is as follows:

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

Ataşehir – İstanbul

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

The Company maintains its accounting records and prepares its statutory financial statements in accordance with Turkish Commercial Code (the "TCC") and accounting principles in the tax legislation.

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

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

(ii) Preparation 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 three month period ended 31 March 2017 have been approved by the Board of Directors on 2 May 2017. 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 three-month period ended 31 March 2016 are presented as below:

- The Company reclassified credit card discount expenses amounting to TL 9.600 previously offset from "revenue" to "finance expenses" in its comparative financial statements for the three month period ended 31 March 2016.

The related reclassification has no effect on the loss for the interim period ended 31 March 2016.

The reclassifications are considered in the preparation of the condensed interim statement of cash flows for the three month period ended 31 March 2016.

2.2 Changes in accounting policies

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

The accounting policies applied in the condensed interim financial statements as at and for the interim period ended 31 March 2017 are the same as those applied in the last annual financial statements as at and for the year ended 31 December 2016.

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 31 March 2017 compared to used in previous year.

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 31 March 2017

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 9 Financial Instruments (2017 version)

TFRS 9 Financial Instruments, has been published in January 2017, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. This version includes referrals in earlier versions of TFRS 9 and revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. TFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS 15 Revenue from Contracts with Customers

As issued in September 2016, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognising revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

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

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 31 March 2017 (Continued)

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

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, International Financial Reporting Interpretations Committee ("IFRIC") 4 Determining Whether an Arrangement Contains a Lease, Standard Interpretations Committee ("SIC") 15 Operating Leases – Incentives, and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease" and consequently change IAS 40 "Investment Properties". IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

2.4 Standards and interpretations issued but not yet effective and not early adopted as at 31 March 2017 (Continued)

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

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as at 1 January 2018. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Annual Improvements to IFRSs 2014-2016 Cycle

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

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

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

2.5 Critical judgments and estimates

<u>Critical judgments in applying the Company's accounting policies</u>

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 are measured at cost less accumulated depreciation and impairment losses except land and buildings. Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Operational performance of each store are evaluated separately and the Management decides store closure based on the cash flow projections of each store.

Impairment of property, pland and equipment and intangible assets

Cash flow projections are prepared considering remaining economic useful life of the stores in accordance with the Company's five year long term plans. In this context, the Company presumes impairment on leasehold improvements for the stores in which the Company is the lessee, considering continuity of the stores. The Company did not recognise any impairment on property, plant and equipment and intangible assets as at 31 March 2017 and 31 December 2016.

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 net realisable value. NRV report is calculated by comparing cost recognised in the financial records at the end of the month and selling prices obtained from price lists. Impairment on products with low sale performance is measured on the cost considering the previous years' sales.

The Company makes aging analysis for its inventories based on certain date ranges. Impairment is calculated for each type of product category 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 14.090 as at 31 March 2017 (31 December 2016: TL 16.763).

The Company considers non-moving inventory based on the aging analysis. Impairment allowance is calculated for the old stock over 180 days and 90 days for white goods and other goods, respectively. Actual results may differ from these estimates.

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)

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, potential expiration dates for utilisation of current year losses, carried forward tax losses, other tax assets and tax planning strategies are considered.

Restructuring provisions

The Company recognised provisions in its financial statements for the year ended 31 December 2016 in accordance with the decisions taken in scope of the reorganisation strategy. These provisions are comprised of the provisions for cancellation of rent agreements and labor related ongoing law suits. Terms of the rent agreements, opinions of the legal counsellor and management expectations are considered to recognise the provisions.

Providing financial capability

The Company recognised net profit amounting to TL 962 for the period ended 31 March 2017. Accumulated losses is amounting to TL 206.418 as at 31 March 2017.

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.

In addition to this, the Company made an announcement on Public Disclosure Platform on 14 February 2017 as detailed below:

"The Company issued its financial statements as at 31 December 2016 which are prepared in accordance with the CMB regulations. The Company's equity in these financial statements amounting to full TL (-) 61.915.000 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 (+) 319.450.204. This indicates that the Company maintains its share capital amounting to full TL 110.000.000 in equity status.

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

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:

	2017		
	Stores	**Dealer Group**	**Total**
Total segment income	651.779	37.466	689.245
Income from third party customers	**651.779**	**37.466**	**689.245**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**25.582**	**4.749**	**30.331**

	2016		
	Stores	**Dealer Group**	**Total**
Total segment income	755.150	29.183	784.333
Income from third party customers	**755.150**	**29.183**	**784.333**
Profit before interest, tax, employee termination benefits, depreciation and amortisation (EBITDA)	**17.268**	**5.902**	**23.170**

	2017	**2016**
Reconciliation of EBITDA with profit before taxes:	**30.331**	**23.170**
Depreciation and amortisation expenses	(8.647)	(9.617)
Finance expenses	(13.090)	(15.606)
Income from investing activities	153	746
Other expenses - net	(6.587)	(17.640)
Provision for employee termination benefits	(777)	(1.290)
Profit/(loss) before tax	**1.383**	**(20.237)**

(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.

	31 March 2017	
	Receivables	**Payables**
	Current	Current
Balances with related parties	Trading	Trading
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	398	208
Akbank T.A.Ş.	248	--
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	238	--
Hacı Ömer Sabancı Holding A.Ş.	155	--
Akçansa Çimento San. ve Tic. A.Ş.	32	--
Brisa Bridgestone Sabancı Lastık San.Ve Tic.A.Ş.	24	24
Philip Morris Sabancı Pazarlama Satış A.Ş.	4	--
Aksigorta A.Ş.	--	1.051
Avivasa Emeklilik ve Hayat A.Ş.	--	1
Temsa Global Sanayi ve Ticaret A.Ş.	--	1
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	--	7
	1.099	**1.292**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	31 December 2016	
	Receivables	**Payables**
	Current	Current
Balances with related parties	Trading	Trading
Akbank T.A.Ş.	556	--
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	430	65
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	398	3.730
Hacı Ömer Sabancı Holding A.Ş.	152	4
Temsa Global Sanayi ve Ticaret A.Ş.	73	--
Akçansa Çimento San. ve Tic. A.Ş.	27	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	24	--
Avivasa Emeklilik ve Hayat A.Ş.	16	--
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	16	--
Philip Morris Sabancı Pazarlama Satış A.Ş.	9	--
Enerjisa Enerji A.Ş. ve bağlı ortaklıkları	--	288
Aksigorta A.Ş.	--	114
	1.701	**4.201**

Deposit accounts in Akbank T.A.Ş.	**31 March 2017**	**31 December 2016**
Demand deposit	645	10.377
Time deposit	--	4.000
	645	**14.377**

Credit card slip receivables in Akbank T.A.Ş.	**31 March 2017**	**31 December 2016**
Credit card slip receivables	950	3.301
	950	**3.301**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 March 2017		
Transactions with related parties	**Sale of goods**	**Rent expense**	**Other income / (expenses)**
Akbank T.A.Ş.	301	--	--
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	107	(1.011)	(3)
Aksigorta A.Ş.	79	--	(2.979)
Avivasa Emeklilik ve Hayat A.Ş.	78	--	(898)
Akçansa Çimento San. ve Tic. A.Ş.	64	--	--
Çimsa Çimento San.ve Tic.A.Ş.	8	--	--
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	6	--	--
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	--	--	(311)
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	--	--	(835)
H.Ö. Sabancı Holding A.Ş.	--	--	(6)
	643	**(1.011)**	**(5.032)**

	1 January - 31 March 2016		
Transactions with related parties	**Sale of goods**	**Rent expense**	**Other income / (expenses)**
Akbank T.A.Ş.	746	--	--
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	269	(1.254)	(104)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	158	--	(1.555)
Avivasa Emeklilik ve Hayat A.Ş.	141	--	(279)
Aksigorta A.Ş.	73	--	(602)
Akçansa Çimento San. ve Tic. A.Ş.	69	--	--
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	44	--	--
Philip Morris Sabancı Pazarlama Satış A.Ş.	43	--	--
Brisa Bridgestone Sabancı Lastık San.Ve Tic.A.Ş.	17	--	--
Çimsa Çimento San.ve Tic.A.Ş.	8	--	--
Kordsa Global End. İplik ve Kordbezi San. A.Ş.	1	--	--
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	--	--	(1.375)
H.Ö. Sabancı Holding A.Ş.	--	(5)	--
	1.569	**(1.259)**	**(3.915)**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

The Company's key management has been identified as the general managers and directors. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the periods ended 31 March 2017 and 2016 are as follows:

	2017	2016
Salaries and other benefits	1.349	1.874
	1.349	**1.874**

NOTE 5 – CASH AND CASH EQUIVALENTS

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

	31 March 2017	31 December 2016
Cash	931	3.074
Demand deposit	1.761	18.783
Time deposit	--	117.235
Credit card slip receivables	5.327	17.002
	8.019	**156.094**

As at 31 March 2017, there is no time deposits. As at 31 December 2016, time deposits consists of TL denominated bank placements with an average interest rate by 11%.

NOTE 6 – LOANS AND BORROWINGS

The details of loans and borrowings as at 31 March 2017 are as follows:

	31 March 2017			
	Currency	**Interest rate**	**Amount**	**Maturity**
Bank borrowings	TL	12,97%	13.400	3 April 2017
Short-term loans and borrowings			**13.400**	

There is no short term loans and borrowings as at 31 December 2016.

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as at 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Trade receivables	42.474	45.442
Due from related parties (Note 4)	1.099	1.701
Notes receivables	27.283	14.180
Allowance for doubtful receivables (-)	(3.715)	(4.874)
	67.141	**56.449**

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

As at 31 March 2017 and 31 December 2016, the Company holds the collaterals listed below for the checks, notes and trade receivables:

	31 March 2017	31 December 2016
Letters of guarantees received	5.266	14.200
Mortgages	955	2.785
	6.221	**16.985**

Fair value of the collaterals which the Company is permitted to sell or repledge without the default by the owner of the collateral is TL 6.221 (31 December 2016: TL 16.985). As at the reporting date, there are not any collaterals or mortgages which are sold or re-pledged by the Company.

	31 March 2017	31 December 2016
Trade payables	624.477	707.183
Due to related parties (Note 4)	1.292	4.201
Expense accruals	14.321	939
	640.090	**712.323**

As at 31 March 2017, the Company offsetted income accruals related to suppliers amounting to TL 32.043 with trade payables (31 December 2016: TL 10.814).

NOTE 8 – INVENTORIES

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

	31 March 2017	31 December 2016
Trading goods	437.045	368.380
Goods in transit	1.472	1.070
Allowance for impairment on inventories (-)	(14.090)	(16.763)
	424.427	**352.687**

The movements of allowance on inventories for the periods ended at 31 March 2017 and 2016 are as below

Allowance for impairment on inventories:	1 January – 31 March 2017	1 January – 31 March 2016
Balance at 1 January	(16.763)	(17.525)
(Provision)/reversal of the provision for the period, net	2.673	(2.413)
Balance at 31 March	**(14.090)**	**(19.938)**

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

NOTE 9 – PREPAID EXPENSES AND DEFERRED REVENUE

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

Short-term prepaid expenses	**31 March 2017**	**31 December 2016**
Advances given for inventories	11.877	6.676
Short term prepaid expenses	5.467	4.401
	17.344	**11.077**

Long-term prepaid expenses	**31 March 2017**	**31 December 2016**
Long term prepaid expenses	536	577
	536	**577**

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

Short-term deferred revenue	**31 March 2017**	**31 December 2016**
Advances received	27.223	2.689
Income from gift cards	5.856	19.608
Other	800	838
	33.879	**23.135**

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

NOTE 10 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation for the periods ended 31 March 2017 and 2016 are as follows:

Cost	Lands	Buildings	Total
Balance at 1 January 2017	6.529	4.791	11.320
Balance at 31 March 2017	**6.529**	**4.791**	**11.320**

Accumulated Depreciation			
Balance at 1 January 2017	--	(1.124)	(1.124)
Charge for the period	--	(48)	(48)
Balance at 31 March 2017	**--**	**(1.172)**	**(1.172)**
Net carrying amount as at 31 March 2017	**6.529**	**3.619**	**10.148**
Net carrying amount as at 31 December 2016	**6.529**	**3.667**	**10.196**

Cost	Lands	Buildings	Total
Balance at 1 January 2016	2.775	8.811	11.586
Balance at 31 March 2016	**2.775**	**8.811**	**11.586**

Accumulated Depreciation			
Balance at 1 January 2016	--	(1.029)	(1.029)
Charge for the period	--	(47)	(47)
Balance at 31 March 2016	**--**	**(1.076)**	**(1.076)**
Net carrying amount as at 31 March 2016	**2.775**	**7.735**	**10.510**

The Company generates rental income by TL 197 (2016: TL 226) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 177 (2016: TL 170). 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 are accredited independent firms 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. There is no change in the valuation technique during the period.

(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 31 March 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	--	--	--	--	423	1.099	270	1.792
Disposals	--	--	--	--	(1.104)	(349)	--	(1.453)
Allowance for impairment	--	--	--	--	(422)	(473)	--	(895)
Reversal of impairment	--	--	--	--	485	1.675	--	2.160
Transfers from construction in progress (**)	--	--	--	--	--	--	(236)	(236)
Balance at 31 March 2017	**26.505**	**6.323**	**339**	**57**	**82.919**	**99.796**	**375**	**216.314**
Accumulated depreciation and impairment losses								
Balance at 1 January 2017	--	(3.779)	(285)	(39)	(56.693)	(55.406)	--	(116.202)
Charge for the period	--	(14)	(10)	(2)	(2.492)	(2.853)	--	(5.371)
Disposals	--	--	--	--	1.009	159	--	1.168
(Allowance for) / reversal of impairment, net	--	--	11	--	4	(782)	--	(767)
Balance at 31 March 2017	--	**(3.793)**	**(284)**	**(41)**	**(58.172)**	**(58.882)**	--	**(121.172)**
Net carrying amount at 31 March 2017	**26.505**	**2.530**	**55**	**16**	**24.747**	**40.914**	**375**	**95.142**
Net carrying amount at 31 December 2016	**26.505**	**2.544**	**54**	**18**	**26.844**	**42.438**	**341**	**98.744**

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

(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 31 March 2016 are as follows:

Cost	Land (*)	Building (*)	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2016	3.444	6.323	359	66	85.363	123.722	3.011	222.288
Additions	--	--	--	--	1.403	1.875	1.776	5.054
Disposals	--	--	--	--	(885)	(2.946)	--	(3.831)
Transfers from construction in progress (**)	--	--	--	--	337	844	(3.086)	(1.905)
Balance at 31 March 2016	**3.444**	**6.323**	**359**	**66**	**86.218**	**123.495**	**1.701**	**221.606**
Accumulated depreciation and impairment losses								
Balance at 1 January 2016	--	(810)	(265)	(38)	(55.926)	(66.489)	--	(123.528)
Charge for the period	--	(29)	(10)	(2)	(2.617)	(3.898)	--	(6.556)
Disposals	--	--	--	--	791	1.885	--	2.676
(Provision for) / reversal of impairment, net	--	191	2	1	(333)	(354)	187	(306)
Closing balance at 31 March 2016	--	**(648)**	**(273)**	**(39)**	**(58.085)**	**(68.856)**	**187**	**(127.714)**
Net book value at 31 March 2016	**3.444**	**5.675**	**86**	**27**	**28.133**	**54.639**	**1.888**	**93.892**

(**) For the period ended 31 March 2017, construction in progress amounting to TL 236 is transferred to intangible assets (2016: TL 1.905)

Depreciation expenses amounting to TL 2.184 (2016: TL 2.291) are included in marketing expenses and TL 3.187 (2016: TL 4.265) are included in general administrative expenses.

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

NOTE 12 – INTANGIBLE ASSETS

Cost	Licenses and Rights	Computer Software	Total
Opening balance at 1 January 2017	**4.686**	**72.897**	**77.583**
Additions	89	2.536	2.625
Disposals	--	--	--
Transfers from construction in progress	236	--	236
(Provision for)/ reversal of impairment	10	654	664
Closing balance at 31 March 2017	**5.021**	**76.087**	**81.108**
Accumulated amortisation and impairment losses			
Opening balance at 1 January 2017	(126)	(55.170)	(55.296)
Charge for the year	(18)	(3.210)	(3.228)
Disposals	--	--	--
(Provision for)/ reversal of impairment	(10)	(751)	(761)
Closing balance at 31 March 2017	**(154)**	**(59.131)**	**(59.285)**
Net book value as at 31 March 2017	**4.867**	**16.956**	**21.823**
Net book value as at 31 December 2016	**4.560**	**17.727**	**22.287**

Cost	Licenses and Rights	Computer Software	Total
Opening balance at 1 January 2016	**6.789**	**60.298**	**67.087**
Additions	1	1.831	1.832
Disposals	(50)	--	(50)
Transfers from construction in progress	184	1.721	1.905
Closing balance at 31 March 2016	**6.924**	**63.850**	**70.774**
Accumulated amortisation and impairment losses			
Opening balance at 1 January 2016	**(2.735)**	**(42.495)**	**(45.230)**
Charge for the year	(40)	(2.974)	(3.014)
Disposals	--	15	15
(Provision for)/ reversal of impairment	50	1.742	1.792
Closing balance at 31 March 2016	**(2.725)**	**(43.712)**	**(46.437)**
Net book value as at 31 March 2016	**4.199**	**20.138**	**24.337**

Amortisation expenses amounting to TL 1.313 (2016: TL 1.053) are included in marketing expenses and TL 1.915 (2016: TL 1.961) 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 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Social security premiums payable	9.142	7.167
Accrued salaries	7.485	6.295
	16.627	**13.462**

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

Short-term provisions	31 March 2017	31 December 2016
Provision for sales personnel premium	2.176	3.310
Provision for unused vacation	2.630	2.268
Provision for other premium	797	1.818
Restructuring provisions	--	149
	5.603	**7.545**

Long-term provisions	31 March 2017	31 December 2016
Provision for employee termination benefit	4.648	4.533
Provision for other premium	610	58
	5.258	**4.591**

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

NOTE 14 – PROVISIONS

The details of the other current provisions as at 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Provision for cancellation of rent agreements (*)	9.845	12.071
Provisions for ongoing litigation (**)	9.059	9.152
Provision for supplier confirmation (***)	6.100	6.100
Provision for administrative fine of Competition Authority (Note 15) (****)	--	13.517
Other	--	26
	25.004	**40.866**

(*)Provision for cancellation of rent agreements are comprised of provisions for penalty which are related to store closures before the termination date of the rent agreements.

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

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

(****) Subsequent to the declaration of the reasoned decision on 8 March 2017 by the Competition Authority, provision for administrative fine was reclassified to other current liabilities as at 31 March 2017.

(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:

	31 March 2017	31 December 2016
Less than 1 year	135.594	145.871
Between 1-5 years	424.622	428.893
More than 5 years	126.016	124.535
	686.232	**699.299**

Investigation of Competition Authority

The Competition Authority resolved to start an investigation by the resolution numbered 15-08/108 and dated 19 February 2015 against the Company and other companies mentioned in the resolution requesting their defence in order to detect if the Act no. 4054 is violated or not. By the resolution numbered 15-28/319-M and dated 7 July 2015, the investigation was extended as consumer electronics and was merged with the former investigation. The Company submitted its written defence for this investigation. Verbal defence was also provided on 25 October 2016. Similarly, by the resolution numbered 15-28/319-M and dated 7 July 2015 Kliksa which was the 100% owned subsidiary of the Company in the previous periods was included to the investigation and the Company submitted the written defence for this investigation on behalf of Kliksa. The final decision of the Competition Authority was published on its official web site for these two investigations on 11 November 2016. In accordance with the decision, the Competition Authority claimed administrative fine by TL 18.026 to Teknosa and Kliksa. Actual settlement was declared by the Competition Authority to the Company on 8 March 2017. The Company paid 3/4 of this administrative fine amounting to TL 13.517 by using the early payment discount with a payment objection notice on 6 April 2017. The Company management plans to initiate a legal action during the legal term in 60 days period.

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

NOTE 15 – COMMITMENTS (Continued)

Collateral, pledge, mortgage position

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

CPMs given by the Company	**31 March 2017**			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**63.466**	**7.900**	**4.788**	**16.008**
- Guarantee	63.466	7.900	4.788	16.008
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	--	--	--	--
D. Total amount of other CPM	--	--	--	--
Total CPM	**63.466**	**7.900**	**4.788**	**16.008**

CPMs given by the Company	**31 December 2016**			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**63.205**	**8.022**	**5.117**	**15.990**
- Guarantee	63.205	8.022	5.117	15.990
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	--	--	--	--
D. Total amount of other CPM	--	--	--	--
Total CPM	**63.205**	**8.022**	**5.117**	**15.990**

The ratio of 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 31 March 2017 (31 December 2016: 0%).

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

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

NOTE 16 – OTHER CURRENT ASSETS AND LIABILITIES

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

Other current assets	**31 March 2017**	**31 December 2016**
Advances given	4.258	3.251
Other current assets	209	139
	4.467	**3.390**

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

Other current liabilities	**31 March 2017**	**31 December 2016**
Obligations for administrative fine of Competition Authority (Note 15)	13.517	--
Other expense accruals (*)	7.846	8.539
Value added tax ("VAT") payable	3.543	18.222
Other liabilities and obligations	425	452
	25.331	**27.213**

(*)Other expense accruals comprised of rent accruals, expense accruals for the insurance policies, and dealer premiums and provisions for other miscellaneous expenses.

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

NOTE 17 - REVENUE

The details of revenue and cost of revenue for three month periods ended 31 March 2017 and 2016 are as follows.

Revenue (net)	**2017**	**2016**
Consumer electronics retail sales	651.779	755.150
Sales of air conditioner, cash registers and white goods	37.466	29.183
	689.245	**784.333**

Cost of revenue	**2017**	**2016**
Cost of trading goods sold	(552.496)	(634.868)
Installation and warranty expenses	(1.000)	(1.468)
	(553.496)	**(636.336)**

NOTE 18 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for three month periods ended 31 March 2017 and 2016 are as follows:

Marketing expenses	**2017**	**2016**
Rent expenses	36.047	44.051
Personnel expenses	35.367	41.986
Advertising and promotion expenses	12.540	13.839
Depreciation and amortisation expenses	5.131	6.256
Transportation expenses	4.615	5.680
Energy, fuel and water expenses	2.979	3.822
Maintenance and cleaning expenses	1.538	2.064
Consultancy expenses	1.467	1.729
Travel and accommodation expenses	267	317
Communication expenses	250	399
Other expenses	3.259	3.294
	103.460	**123.437**

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

NOTE 18 – MARKETING AND ADMINISTRATIVE EXPENSES (Continued)

The details of administrative expenses for three month periods ended 31 March 2017 and 2016 are as follows:

Administrative expenses	**2017**	**2016**
Personnel expenses	3.787	2.765
Depreciation and amortisation expenses	3.516	3.361
IT expenses	2.221	2.331
Consultancy expenses	736	1.054
Allowance for doubtful receivable expense	191	52
Maintenance expenses	152	79
Travel expenses	103	183
Rent expenses	35	1.758
Energy, fuel and water expenses	31	157
Other expenses	610	556
	11.382	**12.296**

NOTE 19 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for three month periods ended 31 March 2017 and 2016 are as follows:

Other income from operating activities	**2017**	**2016**
Foreign exchange gains	3.058	1.684
Reversal of provisions for cancellation of rent agreements	2.225	--
Interest income on credit sales	975	1.189
Income from personnel	135	238
Gains from unused gift cards	349	9
Other income	1.080	1.174
	7.822	**4.294**

(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 three month periods ended 31 March 2017 and 2016 are as follows:

Other expenses from operating activities	**2017**	**2016**
Interest expenses on payables	9.513	12.382
Foreign exchange losses	2.923	2.239
Litigation expenses	1.191	6.380
Tax, duties, charges and funds	8	4
Donations and aids	5	5
Commission expenses	--	52
Other expenses	769	873
	14.409	**21.935**

NOTE 20 – INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for three month periods ended 31 March 2017 and 2016 are as follows:

	2017	**2016**
Interest income on time deposits	153	746
	153	**746**

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

NOTE 21 – FINANCE EXPENSES

The details of finance expense for three month periods ended 31 March 2017 and 2016 are as follows:

	2017	2016
Credit card discount expenses	6.666	9.600
Interest and commission expenses	4.124	2.568
Credit card commission expenses	2.130	3.255
Guarantee letters commission expenses	148	118
Credit card promotion expenses	--	63
Other finance expenses	22	2
	13.090	**15.606**

NOTE 22 – DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	--	953	--	--
Short-term	--	(953)	--	--
	--	**(953)**	**--**	**--**

The Company signed foreign currency forward contracts with the maturities in 2017 in order to hedge the foreign exchange exposures arising from the purchases denominated in foreign currency of the dealer group in a 4 months period subsequent to the reporting date (31 December 2016: None). As at the reporting date, total notional amount of outstanding foreign exchange forward contracts to which the Company is committed are as follows:

	31 March 2017	31 December 2016
Foreign currency forward contracts	35.150	--
	35.150	**--**

Fair value of the Company's foreign currency forward contracts is estimated to be approximately TL 953 (2016: None). These amounts are based on quoted market prices for equivalent instruments as at the reporting date. The fair value of the foreign currency forward contracts that are designated and effective as cash flow hedges amounting to TL 953 has been accounted under equity (31 December 2016: None).

(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	**31 March 2017**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	3.120	807	47	--
2a.Monetary financial assets (including cash on hand and bank accounts)	18	4	1	--
2b.Non monetary financial assets	--	--	--	--
3. Other	17.769	2.327	2.380	--
4. CURRENT ASSETS (1+2+3)	**20.907**	**3.138**	**2.428**	--
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	--	--	--	--
7. Other	269	74	--	--
8. NON CURRENT ASSETS (5+6+7)	**269**	**74**	--	--
9. TOTAL ASSETS (4+8)	**21.176**	**3.212**	**2.428**	--
10. Trade payables	(2.255)	--	(577)	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	(2.615)	(331)	(361)	--
12b. Non monetary other liabilities	--	--	--	--
13. CURRENT LIABILITIES (10+11+12)	**(4.870)**	**(331)**	**(938)**	--
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)	**(4.870)**	**(331)**	**(938)**	--
19. Net assets / liability position of off-balance derivative instruments (19a+19b)	--	--	--	--
19a. Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	--	--	--	--
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	--	--	--	--
20. Net foreign currency assets (liabilities) position (9+18+19)	**16.306**	**2.881**	**1.490**	--
21. Monetary items net foreign currency assets/(liabilities) position (=1+2a+5+6a+10+11+12a+14+15+16a)	**(1.732)**	**480**	**(890)**	--
22. Total fair value of foreign currency hedge	(953)	(262)	--	--
23. The amount for the hedged portion foreign currency assets	--	--	--	--
24. The amount for the hedged portion of foreign currency liabilities	--	--	--	--

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

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

Foreign Currency Position	**31 December 2016**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	798	173	50	109
2a.Monetary financial assets (including cash on hand and bank accounts)	11	2	1	--
2b.Non monetary financial assets	--	--	--	--
3. Other	18	5	--	--
4. CURRENT ASSETS (1+2+3)	**827**	**180**	**51**	**109**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	--	--	--	--
7. Other	--	--	--	1
8. NON CURRENT ASSETS (5+6+7)	--	--	--	**1**
9. TOTAL ASSETS (4+8)	**827**	**180**	**51**	**110**
10. Trade payables	(5.700)	(1.040)	(550)	--
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	(1.151)	(327)	--	--
12b. Non monetary other liabilities	--	--	--	--
13. CURRENT LIABILITIES (10+11+12)	**(6.851)**	**(1.367)**	**(550)**	--
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non monetary other liabilities	--	--	--	--
17. NON CURRENT LIABILITIES (14+15+16)	--	--	--	--
18. TOTAL LIABILITIES (13+17)	**(6.851)**	**(1.367)**	**(550)**	--
19. Net assets / liability position of off-balance derivative instruments (19a+19b)	--	--	--	--
19a. Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	--	--	--	--
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	--	--	--	--
20. Net foreign currency assets (liabilities) position (9+18+19)	**(6.024)**	**(1.187)**	**(499)**	**110**
21. Monetary items net foreign currency assets/(liabilities) position (=1+2a+5+6a+10+11+12a+14+15+16a)	**(6.042)**	**(1.192)**	**(499)**	**109**
22. Total fair value of foreign currency hedge	--	--	--	--
23. The amount for the hedged portion foreign currency assets	--	--	--	--
24. The amount for the hedged portion of foreign currency liabilities	--	--	--	--

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

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

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

Foreign Currency Sensitivity Table	**31 March 2017**	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	1.048	(1.048)
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**1.048**	**(1.048)**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	582	(582)
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**582**	**(582)**
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)	**1.630**	**(1.630)**

Foreign Currency Sensitivity Table	**31 December 2016**	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	(418)	418
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**(418)**	**418**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(185)	185
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**(185)**	**185**
In case 10% appreciation of other currency against TL		
7- Diğer döviz net varlık / yükümlülüğü	1	(1)
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	**1**	**(1)**
TOTAL (3 + 6)	**(602)**	**602**

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

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

31 March 2017	**Loans and receivables**	**Derivative financial instruments**	**Financial liabilities at amortised cost**	**Carrying value**	***Note***
Financial assets					
Cash and cash equivalents	8.019	--	--	8.019	*5*
Trade receivables (including due from related parties)	67.141	--	--	67.141	*7*
Other receivables (including due from related parties)	518	--	--	518	
Financial liabilities					
Bank borrowings	--	--	13.400	13.400	*6*
Trade payables (including due to related parties)	--	--	640.090	640.090	*7*
Other payables (including due to related parties)	--	--	1.261	1.261	
Derivative financial liabilities	--	953	--	953	*22*

31 December 2016	**Loans and receivables**	**Derivative financial instruments**	**Financial liabilities at amortised cost**	**Carrying value**	***Note***
Financial assets					
Cash and cash equivalents	156.094	--	--	156.094	*5*
Trade receivables (including due from related parties)	56.449	--	--	56.449	*7*
Other receivables (including due from related parties)	556	--	--	556	
Derivative financial instruments	--	--	--	--	
Financial liabilities					
Trade payables (including due to related parties)	--	--	712.323	712.323	*7*
Other payables (including due to related parties)	--	--	1.198	1.198	*21*

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: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market.

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

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship between key unobservable inputs and fair value measurement
	31 March 2017	**31 December 2016**				
Foreign currency forward contracts	(953)	--	Level 2	Discounted cash flow: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rate at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	--	--

NOTE 25 – EVENTS AFTER THE REPORTING PERIOD

As detailed in Note 15, the Competition Authority decided to claim on administrative fine by TL 18.026 to Teknosa and Kliksa as a result of the investigation. Actual settlement was declared by the Competition Authority to the Company on 8 March 2017. The Company paid 3/4 of this administrative fine amounting to TL 13.517 by using the early payment discount with a payment objection notice on 6 April 2017. The Company management plans to initiate a legal action during the legal term in 60 days period.