

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE INTERIM PERIOD  
1 JANUARY-30 SEPTEMBER 2015 WITH THE  
INDEPENDENT AUDITOR'S REVIEW  
REPORT

**(Convenience translation of independent auditors'  
review report and the consolidated financial  
statements originally issued in Turkish)**

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

### Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Teknosa İç ve Dış Ticaret A.Ş. and its subsidiary (*together will be referred as the "Group"*) as of 30 September 2015 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

### Scope of Review

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

### Conclusion

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

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



Ömer Tanrıöver, SMMM  
Partner

İstanbul, 2 November 2015

<b>CONTENTS</b>	<b>PAGE</b>
<b>CONDENSED CONSOLIDATED BALANCE SHEET</b> .....	<b>1-2</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b> .....	<b>3</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b> .....	<b>4</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b> .....	<b>5</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b> .....	<b>6-37</b>
NOTE 1 ORGANIZATION AND OPERATIONS OF THE COMPANY .....	6
NOTE 2 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS .....	6-14
NOTE 3 SEGMENT REPORTING .....	15-16
NOTE 4 RELATED PARTY DISCLOSURES .....	17-19
NOTE 5 CASH AND CASH EQUIVALENTS .....	20
NOTE 6 TRADE RECEIVABLES AND PAYABLES .....	20-21
NOTE 7 INVENTORIES .....	21
NOTE 8 PREPAID EXPENSES AND DEFERRED REVENUE .....	21-22
NOTE 9 PROPERTY, PLANT AND EQUIPMENTS .....	23-24
NOTE 10 PAYABLES RELATED TO EMPLOYEE BENEFITS .....	25
NOTE 11 PROVISIONS .....	25
NOTE 12 COMMITMENTS .....	26-28
NOTE 13 OTHER ASSETS AND LIABILITIES .....	28-29
NOTE 14 REVENUE .....	29
NOTE 15 MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES ...	30
NOTE 16 OTHER OPERATING INCOME AND EXPENSES .....	31
NOTE 17 INCOME FROM INVESTING ACTIVITIES .....	31
NOTE 18 FINANCE EXPENSES .....	32
NOTE 19 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS .....	32-35
NOTE 20 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) .....	36
NOTE 21 EVENTS AFTER THE REPORTING PERIOD .....	37

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****REVIEWED CONDENSED CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2015**

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

		Current period (Reviewed) 30 September 2015	Prior period (Audited) 31 December 2014
	Notes		
<b>ASSETS</b>			
<b>Current Assets</b>		<b>765,964</b>	<b>761,775</b>
Cash and cash equivalents	5	220,117	192,998
Trade receivables		37,394	26,833
<i>Trade receivables from related parties</i>	4	2,625	3,999
<i>Trade receivables from third parties</i>	6	34,769	22,834
Inventories	7	488,260	530,417
Prepaid expenses	8	17,599	9,872
Other current assets	13	2,594	1,655
<b>Non current assets</b>		<b>201,925</b>	<b>187,204</b>
Other receivables		686	710
Investment property		10,604	10,746
Property, plant and equipment	9	120,816	118,261
Intangible assets		28,886	27,165
Prepaid expenses	8	3,467	308
Deferred tax assets		21,210	16,072
Other non current assets	13	16,256	13,942
<b>TOTAL ASSETS</b>		<b>967,889</b>	<b>948,979</b>

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****REVIEWED CONDENSED CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2015**

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

		<b>Current period (Reviewed) 30 September 2015</b>	<b>Prior period (Audited) 31 December 2014</b>
	<b>Notes</b>		
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>813,892</b>	<b>757,229</b>
Trade payables		752,339	691,684
<i>Trade payables to related parties</i>	4	978	7,321
<i>Trade payables to third parties</i>	6	751,361	684,363
Liabilities related to employee benefits	10	15,652	8,006
Other payables		1,051	802
<i>Other payables to third parties</i>		1,051	802
Deferred income	8	25,720	21,489
Current period tax liability		29	1,435
Short term provisions		7,272	9,102
<i>Provisions related to employee     benefits</i>	10	5,135	8,011
<i>Other short term provisions</i>	11	2,137	1,091
Other current liabilities	13	11,829	24,711
<b>Non current liabilities</b>		<b>3,432</b>	<b>3,370</b>
Provisions for employment termination benefits	10	3,432	3,370
<b>EQUITY</b>		<b>150,565</b>	<b>188,380</b>
Share capital		110,000	110,000
Adjustment to share capital		6,628	6,628
Restricted reserves		8,704	7,161
Other reserves		3	3
Items that will not be reclassified subsequently to profit or loss		(512)	(471)
<i>Losses on remeasurement of     defined benefit plans</i>		(512)	(471)
Retained earnings		47,456	85,034
Net loss for the period		(21,714)	(19,975)
<b>TOTAL LIABILITIES</b>		<b>967,889</b>	<b>948,979</b>

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD ENDED  
1 JANUARY – 30 SEPTEMBER 2015**

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

	Notes	Current period (Reviewed) 1 January – 30 September 2015	Current period (Not reviewed) 1 July – 30 September 2015	Prior period (Reviewed) 1 January – 30 September 2014	Prior period (Not reviewed) 1 July – 30 September 2014
Revenue	14	2,202,174	813,194	2,166,872	776,263
Cost of sales (-)	14	(1,797,381)	(661,923)	(1,762,995)	(631,029)
<b>GROSS PROFIT</b>		<b>404,793</b>	<b>151,271</b>	<b>403,877</b>	<b>145,234</b>
Marketing expenses (-)	15	(351,316)	(125,960)	(345,000)	(116,399)
General administrative expenses (-)	15	(43,211)	(14,132)	(34,450)	(12,198)
Other operating income	16	16,596	9,265	8,440	2,500
Other operating expenses (-)	16	(38,790)	(16,144)	(38,879)	(12,698)
<b>OPERATING (LOSS) / PROFIT</b>		<b>(11,928)</b>	<b>4,300</b>	<b>(6,012)</b>	<b>6,439</b>
Income from investing activities	17	1,700	1,320	6,095	1,183
<b>OPERATING LOSS BEFORE FINANCIAL EXPENSE</b>		<b>(10,228)</b>	<b>5,620</b>	<b>83</b>	<b>7,622</b>
Finance expenses (-)	18	(16,613)	(4,813)	(15,948)	(5,395)
<b>(LOSS) / PROFIT BEFORE TAX</b>		<b>(26,841)</b>	<b>807</b>	<b>(15,865)</b>	<b>2,227</b>
Tax income / (expense)		5,127	(221)	3,007	(480)
- Current tax expense		(1)	(20)	(3,214)	(1,596)
- Deferred tax income / (expense)		5,128	(201)	6,221	1,116
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>		<b>(21,714)</b>	<b>586</b>	<b>(12,858)</b>	<b>1,747</b>
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>					
Items that will not be reclassified subsequently to profit or loss		(41)	84	51	(31)
<i>(Loss) / Gain on remeasurement of defined benefit plans</i>		(51)	105	64	(39)
<i>Deferred tax income / (expense)</i>		10	(21)	(13)	8
Items that will be reclassified subsequently to profit or loss		-	-	(410)	250
<i>Loss on cash flow hedges</i>		-	-	(511)	314
<i>Deferred tax income</i>		-	-	101	(64)
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME</b>		<b>(21,755)</b>	<b>670</b>	<b>(13,217)</b>	<b>1,966</b>
<b>(Loss) / earnings per share (1000 shares)</b>		<b>(0.20)</b>	<b>0.01</b>	<b>(0.12)</b>	<b>0.02</b>

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 SEPTEMBER 2015**

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

	Share capital	Adjustment to share capitals	Restricted reserves	Other reserves	Items that will not be reclassified subsequently to profit or loss	Items that will be reclassified subsequently to profit or loss	Accumulated profit / (loss)	Net profit / (loss)	Total equity
<b>Prior period</b>									
Balance at 1 January 2014	110,000	6,628	758	3	(300)	-	78,940	56,715	252,744
Transfer to retained earnings	-	-	6,403	-	-	-	50,312	(56,715)	-
Dividends (*)	-	-	-	-	-	-	(44,218)	-	(44,218)
Total comprehensive income / (loss)	-	-	-	-	51	(410)	-	(12,858)	(13,217)
Balance at 30 September 2014	110,000	6,628	7,161	3	(249)	(410)	85,034	(12,858)	195,309
<b>Current Period</b>									
Balance at 1 January 2015	110,000	6,628	7,161	3	(471)	-	85,034	(19,975)	188,380
Transfer to retained earnings	-	-	1,543	-	-	-	(21,518)	19,975	-
Dividends (*)	-	-	-	-	-	-	(16,060)	-	(16,060)
Total comprehensive income / (loss)	-	-	-	-	(41)	-	-	(21,714)	(21,755)
Balance at 30 September 2015	110,000	6,628	8,704	3	(512)	-	47,456	(21,714)	150,565

(\*) Dividends paid by the Group per share with a TRY 1 nominal value is TRY 0.15. (31 December 2014: TRY 0.40).

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 SEPTEMBER 2015**

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

		Current period (Reviewed) 1 January – 30 September 2015	Prior period (Reviewed) 1 January – 30 September 2014
	Notes		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before tax		(21,714)	(12,858)
Adjustments:			
Interest expense, credit cards' commissions and other financing expenses	18	16,613	15,948
Depreciation and amortization expenses	15	31,314	26,800
Retirement pay provision	10	2,408	2,514
Unused vacation provision	10	-	45
Loss arising tangible assets' disposal of closed down stores	9	3,098	4,117
Release of impairment of tangible assets related to the stores to be closed, net	9	(3,619)	26
Provision for impairment on inventories		2,695	1,896
Interest income	17	(1,700)	(6,093)
Tax expense		(5,127)	(3,007)
		<b>23,968</b>	<b>29,388</b>
<b>Operating cash flows before changes in working capital</b>			
(Increase) / decrease in trade receivables and other receivables		(11,935)	7,404
Decrease / (increase) in trade receivables from related parties		1,374	(2,764)
Decrease / (increase) in inventories		39,462	(70,973)
(Increase) / decrease in other current assets and prepaid		(11,825)	10,463
(Increase) / decrease in other non current assets		(2,290)	524
Increase / (Decrease) in trade payables		66,998	(81,158)
(Decrease) / increase in trade payables to related parties		(6,343)	1,452
(Decrease) / increase in other current liabilities		(2,439)	5,138
(Decrease) / increase in other non current liabilities		(28)	616
Retirement pay provision paid		(2,369)	(2,688)
Unused vacation provision paid		(147)	-
Current tax paid		(1,407)	(6,376)
<b>Cash generated / (used) in operations</b>		<b>93,019</b>	<b>(108,974)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible assets	9	(28,087)	(37,475)
Purchase of intangible assets		(6,840)	(9,033)
Interest received	17	1,700	6,093
<b>Cash used in investment activities</b>		<b>(33,227)</b>	<b>(40,415)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest, credit card commissions and other finance costs paid	18	(16,613)	(15,948)
Dividend payments		(16,060)	(44,218)
<b>Cash used in financing activities</b>		<b>(32,673)</b>	<b>(60,166)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>27,119</b>	<b>(209,555)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>192,998</b>	<b>320,182</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>220,117</b>	<b>110,627</b>

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



## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

---

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

Teknosa İç ve Dış Ticaret A.Ş., (“Teknosa” or “The Company”) was established at 9 March 2000, and is engaged in retail sales of technology products through its stores and website “www.teknosa.com” and air conditioners and white goods through its dealers. The Company’s parent is Hacı Ömer Sabancı Holding A.Ş. and it is ultimately controlled by Sabancı Family members. The number of personnel of the Company is 3,602 as of 30 September 2015 (31 December 2014: 3,511). The Company has been registered in Turkey and operates under the laws and regulations of Turkish Commercial Codes.

The Company operates in Turkey in 287 stores with 172,641 square meters retail space as of 30 September 2015 (31 December 2014: 170,593 square meters, 291 stores). The registered Office address of the company is as follows.

Batman Sokak Teknosa Plaza No: 18  
Sahrayıcedit - İstanbul

#### *Subsidiary*

Kliksa İç ve Dış Ticaret A.Ş., which is owned by the Company 100%, was included in the scope of consolidation at 31 December 2011 due to plans of extensions of its operations. The main activity of the subsidiary is to sell electronic equipment through the web site “www.kliksa.com”.

Teknosa and its subsidiary will be referred to the “Group”.

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

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

##### Statement of Compliance

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

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

The Group prepared its consolidated financial statements for the interim period ended as at 30 September 2015 in accordance with TAS 34 “Interim Financial Statements”.

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

## **TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

### **NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

---

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

##### **2.1 Basis of presentation of consolidated financial statements (Continued)**

###### Statement of Compliance (Continued)

The Group's condensed consolidated do not contain all necessary explanations and disclosures presented in the year-end financial statements, therefore, should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

###### Presentation and Functional Currency

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

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

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

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

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

- In 2014, the Group presented discount expenses amounting to TRY 1,822 under net sales income in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified these amounts to marketing expenses.
- In 2014, the Group presented marketing income amounting to TRY 1,611 under other operating expenses in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified these amounts to marketing expenses.
- In 2014, the Group presented allowances for doubtful trade receivables amounting to TRY 459 under other operating expenses in the consolidated statement of profit or loss and other comprehensive income. In the current year, the Group management reclassified these amounts to general administrative expenses.
- In 2014, the Group presented income accruals from suppliers amounting to TRY 720 under trade receivables in the consolidated balance sheet. In the current year, the Group management reclassified these amounts to trade payables.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

---

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

##### 2.1 Basis of presentation of consolidated financial statements (Continued)

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

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

##### 2.2 Changes in Accounting Policies

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

##### 2.3 Changes in the Accounting Estimates and Errors

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

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

###### a) Amendments to TFRSs affecting amounts reported in the financial statements

None.

###### b) New and Revised TFRSs applied with no material effect on the consolidated financial statements

Amendments to TAS 19	<i>Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
Annual Improvements to 2010-2012 Cycle	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39</i> <sup>1</sup>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 3, TFRS 13, TAS 40</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 30 June 2014.

###### **Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions***

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

## **TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

### **NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

---

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

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

##### **b) New and Revised TFRSs applied with no material effect on the consolidated financial statements (Continued)**

##### **Annual Improvements to 2010-2012 Cycle**

**TFRS 2:** Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

##### **Adoption of New and Revised Standards**

**TFRS 3:** Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**TFRS 8:** Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

**TFRS 13:** Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

**TAS 16 and TAS 38:** Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**TAS 24:** Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2010-2012 Cycle also led to amendments in related provisions of TFRS 9, TAS 27 and TAS 39, respectively.

##### **Annual Improvements to 2011-2013 Cycle**

**TFRS 3:** Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**TFRS 13:** Clarify the scope of the portfolio exception in paragraph 52.

**TAS 40:** Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

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

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

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

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

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation<sup>1</sup></i>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants<sup>1</sup></i>
Amendments to TFRS 11 and TFRS 1 Annual Improvements to 2011-2013 Cycle	<i>Accounting for Acquisition of Interests in Joint operations<sup>1</sup></i>
Amendments to TAS 1 Annual Improvements to 2012-2014 Cycle	<i>TFRS 1<sup>2</sup></i>
Amendments to TAS 27	<i>Disclosure Initiative<sup>2</sup></i>
Amendments to TFRS 10 and TAS 28	<i>TFRS 5, TFRS 7, TAS 34, TAS 19<sup>2</sup></i>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Equity Method in Separate Financial Statements<sup>2</sup></i>
TFRS 14	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
	<i>Investment Entities: Applying the Consolidation Exception<sup>2</sup></i>
	<i>Regulatory Deferral Accounts<sup>2</sup></i>

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

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

##### **TFRS 9 Financial Instruments**

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

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

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

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

###### **Annual Improvements 2011-2013 Cycle**

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

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

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

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

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

###### *Amendments to TAS 1 Disclosure Initiative*

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

###### *Annual Improvements 2012-2014 Cycle*

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

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

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

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

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

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

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

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

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

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

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent’s investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

---

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

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

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

###### *IFRS 14 Regulatory Deferral Accounts*

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

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

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

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

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

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

###### *Useful life of tangible and intangible assets*

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

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

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Group evaluates its operational performance on the basis of each store and decides to end stores operations upon stores' discounted cash flow projections.



## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

---

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

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

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

###### *Impairment of tangible and intangible assets (Continued)*

Stores’ cash flow projections prepared according Group’s five year long term plans considering remaining economic useful life of the stores. In this context, Group presumes impairments of leasehold improvements on the stores in which Group is the lessee, considering of the stores continuity. The Group booked TRY 3,3619 of net impairment reversal as of 30 September 2015 (31 December 2014: TRY 5,112).

###### *Decrease in value of stocks (NRV)*

In accordance with the accounting policy, inventories are stated at the net realizable value. The Group's cost of sales prices under the list of products that are at the lower of cost or net realizable value is valued. NRV report by the end of the relevant month of the costs incurred in carrying value and is calculated by comparing the sales price lists.

Sales performance to products considered low by reference to the sales in previous years made provisions by the Group on the cost of sales value. For white goods and over 180 days of inactivity, as over 90 days for other products is calculated.

###### *Income accruals*

As of 30 September 2015 concerning a portion of previous years import of air controllers, Undersecretariat of Customs under investigation by two separate examination process, the Group accrued taxes and penalties are several lawsuits filed against.

Group management, legal counsel and customs experts' opinions and in accordance with the Group resulted in favor of the cases, since there are the tax penalties regarding the 30 September 2015, the consolidated financial statements and TRY 5,157 accrued income has calculated (Note 13).

###### *Deferred tax assets*

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

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

#### NOTE 3 – SEGMENT REPORTING

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

CODM in order to take the decisions relating to the allocation of resources to the operating segments and to evaluate the performance of these segments reviews the results by product category and geographical allocation. The Group’s product categories are as follows: Technology products sales and air conditioners, cash registers and white goods through the dealer channel (İklimsa). These sales are also reviewed by dealers and stores. In addition, assets and liabilities are not included in the segment reporting since they are not regularly presented to chief operating decision maker and not monitored on a segment basis.

The total equity of Kliksa, the subsidiary of the Group, amounts to TRY (7,644) as of 30 September 2015 (31 December 2014: TRY 13,526), net sales for the nine-month period ended as of 30 September 2015 amounts to TRY 192,838 (30 September 2014: TRY 148,184) and net loss amounts to TRY 21,169 (30 September 2014: TRY 17,685 net loss).

The details of the segment reporting are as follows:

	1 January - 30 September 2015		
	Retailer	Dealer	Total
Total segment income	2,111,485	90,689	2,202,174
<b>Income from third party customers</b>	<b>2,111,485</b>	<b>90,689</b>	<b>2,202,174</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>30,490</b>	<b>13,498</b>	<b>43,988</b>
	1 January - 30 September 2014		
	Retailer	Dealer	Total
Total segment income	2,099,449	67,423	2,166,872
<b>Income from third party customers</b>	<b>2,099,449</b>	<b>67,423</b>	<b>2,166,872</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>47,679</b>	<b>6,062</b>	<b>53,741</b>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

	<b>1 July - 30 September 2015</b>		
	Retailer	Dealer	Total
Total segment income	779,388	33,806	813,194
<b>Income from third party customers</b>	<b>779,388</b>	<b>33,806</b>	<b>813,194</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>17,127</b>	<b>5,634</b>	<b>22,761</b>
	<b>1 July - 30 September 2014</b>		
	Retailer	Dealer	Total
Total segment income	751,879	24,384	776,263
<b>Income from third party customers</b>	<b>751,879</b>	<b>24,384</b>	<b>776,263</b>
<b>Profit before interest, severance pay, depreciation and amortization (EBITDA)</b>	<b>24,360</b>	<b>2,359</b>	<b>26,719</b>

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

	1 January- 30 September 2015	1 July- 30 September 2015	1 January- 30 September 2014	1 July- 30 September 2014
EBITDA for reportable segment information	<b>43,988</b>	<b>22,761</b>	<b>53,741</b>	<b>26,719</b>
Depreciation	(31,314)	(10,529)	(26,800)	(9,538)
Finance expenses	(16,613)	(4,813)	(15,948)	(5,395)
Investment income	1,700	1,320	6,095	1,183
Other expenses - net	(22,194)	(6,879)	(30,439)	(10,198)
Provision for employee termination benefits	(2,408)	(1,053)	(2,514)	(544)
<b>(Loss) / Profit before tax</b>	<b>(26,841)</b>	<b>807</b>	<b>(15,865)</b>	<b>2,227</b>

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

#### NOTE 4 – RELATED PARTY DISCLOSURES

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

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

Balances with related parties	30 September 2015	
	Receivables	Payables
	Current	Current
	Trading	Trading
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1,759	(69)
Akbank T.A.Ş.	339	-
Aksigorta A.Ş.	172	(12)
Avivasa Emeklilik ve Hayat A.Ş.	10	(2)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	298	(244)
Akçansa Çimento San. ve Tic. A.Ş.	41	-
Enerjisa Enerji A.Ş. ve iştirakleri	-	(629)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	-	(15)
Philip Morris Sabancı Pazarlama Satış A.Ş.	6	-
Birlas Motor Sporları Otomotiv San. İmalat. Ve Tic.Ltd.Şti.	-	(1)
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	-	(6)
	<u>2,625</u>	<u>(978)</u>

Balances with related parties	31 December 2014	
	Receivables	Payables
	Current	Current
	Trading	Trading
Akbank T.A.Ş.	2,105	-
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1,485	(101)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	(6,041)
Enerjisa Enerji A.Ş. ve iştirakleri	-	(1,112)
Avivasa Emeklilik ve Hayat A.Ş.	262	(19)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	92	-
Akçansa Çimento San. ve Tic. A.Ş.	29	-
Aksigorta A.Ş.	15	(41)
Philip Morris Sabancı Pazarlama Satış A.Ş.	11	-
Hacı Ömer Sabancı Holding A.Ş.	-	(7)
	<u>3,999</u>	<u>(7,321)</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

	30 September 2015	31 December 2014
<u>Deposit accounts in Akbank T.A.Ş.</u>		
Demand deposit	863	1,392
Time deposit	63,750	144,250
	<u>64,613</u>	<u>145,642</u>
	30 September 2015	31 December 2014
<u>Credit card slip receivables from Akbank T.A.Ş.</u>		
Credit card slip receivables	1,399	4,163
	<u>1,399</u>	<u>4,163</u>

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

Transactions with related parties	1 January - 30 September 2014		
	Sales	Rent expense	Other expenses
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	3,401	(5,572)	(827)
Akbank T.A.Ş.	1,812	-	6,093
Aksigorta A.Ş.	738	-	(3,301)
Avivasa Emeklilik ve Hayat A.Ş.	577	-	(106)
H.Ö. Sabancı Holding A.Ş.	130	-	-
Akçansa Çimento San. ve Tic. A.Ş.	105	-	-
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	95	-	(34)
Philip Morris Sabancı Pazarlama Satış A.Ş.	22	-	-
Enerjisa Enerji A.Ş. ve İştirakleri	14	-	(4,783)
Sabancı Üniversitesi	11	-	-
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	5	-	-
Vista Turizm ve Seyahat A.Ş.	-	-	(7)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	2	-	(4,634)
	<u>6,912</u>	<u>(5,572)</u>	<u>(7,599)</u>

The Company's key management has been identified as the general managers and directors. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the interim periods ended 30 September 2015 and 2014 are as follows:

	1 January – 30 September 2015	1 January – 30 September 2014
Salaries and other benefits	<u>4,071</u>	<u>3,135</u>
	<u>4,071</u>	<u>3,135</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

**NOTE 5 – CASH AND CASH EQUIVALENTS**

The details of cash and cash equivalents as of 30 September 2015 and 31 December 2014 are as follows:

	30 September 2015	31 December 2014
Cash	1,367	1,295
Demand deposit	1,849	1,718
Time deposit	206,359	175,532
Credit card slip receivables	10,542	14,453
	<u>220,117</u>	<u>192,998</u>

As of 30 September 2015, Group's time deposits include Turkish Liras with the average interest rates of 12,84%. (31 December 2014: TRY 174,373 TRY with interest rate 10.53%, USD 1,159 with interest rate 1.95%).

**NOTE 6 -- TRADE RECEIVABLES AND PAYABLES**

The details of trade receivables as of 30 September 2015 and 31 December 2014 are as follows:

<u>Current Trade Receivables</u>	30 September 2015	31 December 2014
Trade receivables	32,539	19,197
Due from related parties (Note 4)	2,625	3,999
Notes receivables	6,504	5,852
Allowance for doubtful receivables (-)	(4,274)	(2,215)
	<u>37,394</u>	<u>26,833</u>

As of 30 September 2015 and 31 December 2014, the Group has hold the below given guarantees for its checks and notes.

	30 September 2015	31 December 2014
Letters of guarantees received	6,931	4,376
Mortgages	3,540	2,706
	<u>10,471</u>	<u>7,082</u>

The fair value of mortgages that the Group has the right to sell or re-pledge the collateral and on whether the transferor has defaulted is TRY 10,720. (31 December 2014: TRY 10,695).Group have no any sold or give re-pledge guarantees or mortgages from balance date.

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

	30 September 2015	31 December 2014
<i>Current Trade Payables</i>		
Trade payables	736,109	682,095
Trade payables to related parties (Note 4)	978	7,321
Expense accruals	15,252	2,268
	<u>752,339</u>	<u>691,684</u>

As of 30 September 2015, the Group net-off income accruals related to suppliers in the amount of TRY 78,619 with its trade payables (31 December 2014: TRY 22,720).

**NOTE 7 – INVENTORIES**

The details of the inventories as of 30 September 2015 and 31 December 2014 are presented below:

	30 September 2015	31 December 2014
Trade goods	492,620	531,461
Goods in transit	2,823	3,444
Provision for impairment on inventories (-)	(7,183)	(4,488)
	<u>488,260</u>	<u>530,417</u>

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

The details of other current assets as of 30 September 2015 and 31 December 2014 are presented below:

	30 September 2015	31 December 2014
<i>Short-term Prepaid Expenses</i>		
Order advances given for inventory purchase	6,493	372
Short term prepaid expenses	11,106	9,500
	<u>17,599</u>	<u>9,872</u>
	30 September 2015	31 Aralık 2014
<i>Long-term Prepaid Expenses</i>		
Long term prepaid expenses	3,467	308
	<u>3,467</u>	<u>308</u>



**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

**NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE (Continued)**

The details of the deferred revenue as of 30 September 2015 and 31 December 2014 are presented below:

<i>Short-term Deferred Revenue</i>	30 September 2015	31 December 2014
Order advances received	24,961	20,961
Other	759	528
	<u>25,720</u>	<u>21,489</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

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

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

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

(\*\*) Impairment calculated for tangible fixed assets is TRY 227 as of 30 September 2015. Reversal of impairment amount is TRY 3,845 as of 30 September 2015.

Depreciation and amortization expenses amounting to TRY 19,593 (2014: TRY 20,136) are included in marketing expenses and TRY 11,721 (2014: TRY 6,664) are included in general administrative expenses.

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

The movement of tangible assets and related accumulated depreciation as of 30 September 2014 is as below:

Cost value	Land	Building	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction on progress	Total
Opening balance at 1 January 2014	3,444	6,310	449	86	76,732	109,516	3,349	199,886
Additions	-	-	82	-	7,560	10,960	18,873	37,475
Disposals	-	-	(84)	-	(4,680)	(6,205)	-	(10,969)
Transfer from construction on progress (*)	-	-	-	-	3,457	8,458	(15,820)	(3,905)
Closing balance at 30 September 2014	3,444	6,310	447	86	83,069	122,729	6,402	222,487
Accumulated depreciation								
Opening balance at 1 January 2014	-	(584)	(271)	(72)	(41,176)	(44,192)	-	(86,295)
Current charge	-	(85)	(42)	(6)	(8,325)	(12,180)	-	(20,638)
Disposals	-	-	17	-	3,335	3,500	-	6,852
Provision for / (reversal of) impairment net (**)	-	-	-	-	(129)	103	-	(26)
Closing balance at 30 September 2014	-	(669)	(296)	(78)	(46,295)	(52,769)	-	(100,107)
Net book value at 30 September 2014	3,444	5,641	151	8	36,774	69,960	6,402	122,380

(\*) The investment amounting TRY 3,905 has been made for intangible assets as of 30 September 2014.

(\*\*) Impairment calculated for tangible fixed assets is TRY 391 as of 30 September 2014. Reversal of impairment amount is TRY 365 as of 30 September 2014.

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

The details of the due to employees as of 30 September 2015 and 31 December 2014 are presented below:

	30 September 2015	31 December 2014
Accrued salaries	7,308	154
Social security premiums payable	8,344	7,852
	<u>15,652</u>	<u>8,006</u>

The details of the provisions related to employee benefits as of 30 September 2015 and 31 December 2014 are presented below:

	30 September 2015	31 December 2014
<i>Short-term Provisions</i>		
Sales personnel premium provision	1,668	2,754
Unused vacation provision	2,078	2,225
Administrative personnel premium provision	1,162	1,032
Restructuring expenses provision	227	2,000
	<u>5,135</u>	<u>8,011</u>

	30 September 2015	31 December 2014
<i>Long-term Provisions</i>		
Retirement pay provision	2,152	2,062
Administrative personnel premium provision	1,280	1,308
	<u>3,432</u>	<u>3,370</u>

**NOTE 11 – PROVISIONS**

The details of the other current provisions as of 30 September 2015 and 31 December 2014 are presented below:

	30 September 2014	31 December 2013
Litigation provisions (*)	1,280	541
Other	857	550
	<u>2,137</u>	<u>1,091</u>

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

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

#### NOTE 12 – COMMITMENTS

##### *Operating lease agreements*

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

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

	30 September 2015	31 December 2014
Less than 1 year	69,012	71,286
Between 1-5 years	678,610	586,540
More than 5 years	129,245	140,305
	<u>876,867</u>	<u>798,131</u>

##### *Custom duty and penalty*

Some of the previous years' air conditioner imports of the company are being investigated by Customs Consultancy Inspector within two different investigations as of 30 September 2015. As a result of these investigations, the Custom Consultancy Inspectors identifications caused 135 lawsuits amounting to TRY 9,045 as a result of tax operations penalties. 116 of these 135 lawsuits amounting TRY 8,926 is still continuing.

TRY4,108 resulted in the Company's favour and appealed for correction. 24 lawsuits with the total amount of TRY 2,527 have ended in the opposite of the Group at the appealing stage but request of revision of decision has been made 40 lawsuits with the total amount of TRY 1,510 resulted in the Company's favor but the administration of customs requested the revision of decision. The adjudication is still continuing for an amount of TRY 4,037.

However, the second wave of investigations amounting TRY 4,937 resulted partially in Company's favor, the part amounting to TRY 1,925 resulted in Company's favor and 11 lawsuits with the total amount of TRY 47 is not risky anymore. 24 lawsuits with the total amount of TRY 1877 resulted in the Company's favor but the administration of customs requested the revision of decision. An amount of TRY 3012 ended in the opposition of the Group. Appeal for correction has been made but the reversal has been in the favor of the administration of the customs. The Group has requestes the revision of decision. The adjudication is still continuing for this amount.

The Group Management has accounted for TRY 5,157 of income accrual regarding such tax penalties in the consolidated financial statements at 30 September 2015 based on the opinions of the legal counsels and customs experts and based on the fact that there are previous lawsuits finalized in favor of the company (Note 13).

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

#### NOTE 12 – COMMITMENTS (Continued)

##### *Competition Board prosecution*

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

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

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

##### *Guarantee, pledge, mortgage position*

Guarantees, pledges and mortgages (“GPM”) given by the Group as of 30 September 2015 and 31 December 2014 are as follows:

##### CPMs given by the Group

	30 September 2015			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	41,960	2,797	5,111	15,962
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>41,960</u>	<u>2,797</u>	<u>5,111</u>	<u>15,962</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
<b>Total</b>	<u><b>41,960</b></u>	<u><b>2,797</b></u>	<u><b>5,111</b></u>	<u><b>15,962</b></u>

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

**NOTE 12 – COMMITMENTS (Continued)**

*Guarantee, pledge, mortgage position (Continued)*

	31 December 2014			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	36,167	2,995	5,117	14,788
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>36,167</u>	<u>2,995</u>	<u>5,117</u>	<u>14,788</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. GPM given in order to guarantee third parties' debt for routine trade operations	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
<b>Total</b>	<b><u>36,167</u></b>	<b><u>2,995</u></b>	<b><u>5,117</u></b>	<b><u>14,788</u></b>

The proportion of the GPM given on behalf of third parties except for the GPM given in the name of the Company's own legal personality to total equity as of 31 December 2014 is 0%.

**NOTE 13 – OTHER ASSETS AND LIABILITIES**

The details of the other current and non-current assets as of 30 September 2015 and 31 December 2014 are presented below:

	30 September 2015	31 December 2014
<u><i>Other Current Assets</i></u>		
Advances given	2,022	1,522
Other current assets	572	133
	<u>2,594</u>	<u>1,655</u>
<u><i>Other Non-current Assets</i></u>		
Deferred VAT	11,097	8,785
Income accrual (Note 12)	5,159	5,157
	<u>16,256</u>	<u>13,942</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

The details of the other current liabilities as of 30 September 2015 and 31 December 2014 are presented below:

<u>Other Current Liabilities</u>	30 September 2015	31 December 2014
VAT payable	9,703	23,054
Other expense accruals (*)	1,509	890
Other liabilities and obligations	617	767
	<u>11,829</u>	<u>24,711</u>

(\*) Other expense accruals consist mainly of liabilities to banks related to collection of credit card sales before due dates.

**NOTE 14 – REVENUE**

The details sales and cost of sales for the nine month periods ended 30 September 2015 and 2014 are stated below:

	1 January – 30 September 2015	1 July – 30 September 2015	1 January – 30 September 2014	1 July – 30 September 2014
<u>Sales Income (net)</u>				
Consumer electronics retail sales	2,111,485	779,388	2,099,449	751,879
Sales of air conditioner, cash registers and white goods	90,689	33,806	67,423	24,384
	<u>2,202,174</u>	<u>813,194</u>	<u>2,166,872</u>	<u>776,263</u>
<u>Cost of Sales</u>				
Cost of goods sold	(1,791,294)	(659,062)	(1,759,757)	(629,755)
Installation and warranty expenses	(6,087)	(2,861)	(3,238)	(1,274)
	<u>(1,797,381)</u>	<u>(661,923)</u>	<u>(1,762,995)</u>	<u>(631,029)</u>



**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

**NOTE 15 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES**

The details of marketing and administrative expenses for the nine-month periods ended 30 September 2015 and 2014 are stated below:

	1 January – 30 September 2015	1 July – 30 September 2015	1 January – 30 September 2014	1 July – 30 September 2014
<i><u>Marketing Expenses</u></i>				
Rent expenses	(120,440)	(42,484)	(121,219)	(40,913)
Personnel expenses	(105,020)	(36,272)	(103,393)	(33,814)
Advertising and promotion expenses	(50,794)	(19,513)	(43,223)	(14,894)
Depreciation and amortization expenses	(19,593)	(6,386)	(20,136)	(6,880)
Transportation expenses	(19,949)	(7,432)	(22,308)	(8,123)
Energy, fuel and water expenses	(11,412)	(4,363)	(11,136)	(4,150)
Consulting expenses	(6,027)	(2,358)	(6,456)	(2,019)
Maintenance expenses	(5,946)	(2,471)	(5,095)	(1,806)
Travel expenses	(1,013)	(398)	(1,025)	(389)
Communication expenses	(862)	(289)	(1,324)	(517)
Other expenses	(10,260)	(3,994)	(9,685)	(2,894)
	<u>(351,316)</u>	<u>(125,960)</u>	<u>(345,000)</u>	<u>(116,399)</u>
<i><u>Administrative Expenses</u></i>				
Personnel expenses	(13,988)	(4,551)	(14,225)	(4,534)
Depreciation and amortization expenses	(11,721)	(4,143)	(6,664)	(2,658)
IT expenses	(5,690)	(1,610)	(4,643)	(1,943)
Rent expenses	(4,509)	(1,571)	(3,443)	(968)
Consulting expenses	(2,854)	(1,032)	(1,818)	(586)
Bad debt expense	(1,757)	(482)	(459)	(260)
Travel expenses	(367)	(128)	(474)	(148)
Energy, fuel and water expenses	(374)	(121)	(434)	(147)
Maintenance expenses	(316)	(111)	(204)	(83)
Other expenses	(1,635)	(383)	(2,086)	(871)
	<u>(43,211)</u>	<u>(14,132)</u>	<u>(34,450)</u>	<u>(12,198)</u>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.****NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

**NOTE 16 – OTHER OPERATING INCOME AND EXPENSES**

The details of other operating income and expenses for the nine-month periods ended 30 September 2015 and 2014 are stated below:

	1 January – 30 September 2015	1 July – 30 September 2015	1 January – 30 September 2014	1 July – 30 September 2014
<i>Other Operating Income</i>				
Foreign exchange gains	5,077	2,372	2,911	452
Discount income	5,646	3,819	3,164	1,012
Gain on sale of fixed assets	1,174	11	-	-
Deductions from personnel	600	201	504	156
Gains from gift cheques	446	190	89	(170)
Other income	3,653	2,672	1,772	1,050
	<u>16,596</u>	<u>9,265</u>	<u>8,440</u>	<u>2,500</u>
<i>Other Operating Expenses (-)</i>				
Discount expenses	(29,378)	(13,415)	(29,221)	(8,650)
Foreign exchange losses	(3,963)	(1,401)	(3,229)	(1,111)
Litigation expenses	(2,228)	(662)	(180)	(41)
Loss on sale of fixed assets	-	-	(3,879)	(2,166)
Evacuation expenses of stores	(859)	-	-	-
Commission expenses	(778)	(253)	(1,091)	(423)
Donation and aid	(144)	(10)	(13)	(3)
Taxes, duties, charges and funds	(27)	(5)	(26)	(4)
Other expenses	(1,413)	(398)	(1,240)	(300)
	<u>(38,790)</u>	<u>(16,144)</u>	<u>(38,879)</u>	<u>(12,698)</u>

**NOTE 17 – INCOME FROM INVESTING ACTIVITIES**

The details of income from investing activities for the nine-month periods ended 30 September 2015 and 2014 are stated below:

	1 January – 30 September 2015	1 July – 30 September 2015	1 January – 30 September 2014	1 July – 30 September 2014
Interest income	1,700	1,320	6,095	1,183
	<u>1,700</u>	<u>1,320</u>	<u>6,095</u>	<u>1,183</u>

## TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

### NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

#### NOTE 18 – FINANCE EXPENSES

The details of finance expenses for the nine-month periods ended 30 September 2015 and 2014 are stated below:

	1 January – 30 September 2015	1 July – 30 September 2015	1 January – 30 September 2014	1 July – 30 September 2014
Credit card commission expenses	(7,592)	(2,498)	(9,888)	(3,157)
Interest and commission expenses	(6,153)	(1,673)	(2,994)	(1,858)
Credit card promotion expenses	(2,615)	(540)	(2,880)	(465)
Guarantee letters commission expenses	(125)	(45)	(101)	(41)
Other finance expenses	(128)	(57)	(85)	126
	<u>(16,613)</u>	<u>(4,813)</u>	<u>(15,948)</u>	<u>(5,395)</u>

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

##### Foreign currency risk

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

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

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

Foreign Currency Position	Equivalents of TRY	30 September 2015			
		USD	Euro	GBP	Other
1. Trade receivable	3,612	1,186	-	-	109
2a. Monetary financial assets	88	11	16	-	-
2b. Non monetary financial assets	-	-	-	-	-
3. Other	7,324	266	1,892	-	1,608
<b>4. CURRENT ASSETS</b>	<b>11,025</b>	<b>1,463</b>	<b>1,908</b>	<b>-</b>	<b>1,717</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. NON CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. TOTAL ASSETS</b>	<b>11,025</b>	<b>1,463</b>	<b>1,908</b>	<b>-</b>	<b>1,717</b>
10. Trade payables	1,526	483	15	1	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	2,263	339	360	-	-
12b. Non monetary other liabilities	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>3,789</b>	<b>822</b>	<b>375</b>	<b>1</b>	<b>-</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>3,789</b>	<b>822</b>	<b>375</b>	<b>1</b>	<b>-</b>
19. Net assets / liability position of off-balance derivative instruments (19a-19b)	-	-	-	-	-
19.a Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	-	-	-	-	-
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	-	-	-	-	-
20. Net foreign currency assets (liabilities) position (9-18+19)	7,236	641	1,533	(1)	1,717
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(89)	375	(359)	(1)	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	-	-	-	-	-

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

Foreign Currency Position	Equivalents of TRY	31 December 2014			
		USD	Euro	GBP	Other
1. Trade receivable	3,233	1,183	173	-	109
2a. Monetary financial assets	1,195	507	7	-	-
2b. Non monetary financial assets	-	-	-	-	-
3. Other	24	9	1	-	-
<b>4. CURRENT ASSETS</b>	<b>4,452</b>	<b>1,699</b>	<b>181</b>	<b>-</b>	<b>109</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. NON CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. TOTAL ASSETS</b>	<b>4,452</b>	<b>1,699</b>	<b>181</b>	<b>-</b>	<b>109</b>
10. Trade payables	6,941	1,408	1,302	1	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	1,822	338	368	-	-
12b. Non monetary other liabilities	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>8,763</b>	<b>1,746</b>	<b>1,670</b>	<b>1</b>	<b>-</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>8,763</b>	<b>1,746</b>	<b>1,670</b>	<b>1</b>	<b>-</b>
19. Net assets / liability position of off-balance derivative instruments (19a-19b)	-	-	-	-	-
19.a Derivative instrument amounts of off-balance items with asset qualifications per foreign currency	-	-	-	-	-
19b. Derivative instrument amounts of off-balance items with liability qualifications per foreign currency	-	-	-	-	-
20. Net foreign currency assets (liabilities) position (9-18)	(4,311)	(47)	(1,489)	(1)	109
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(4,335)	(56)	(1,490)	(1)	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	-	-	-	-	-

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

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

**Foreign currency sensitivity table**

**30 September 2015**

	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TRY		
1 - USD Dollars net assets/liabilities	114	(114)
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1 +2)</b>	<b>114</b>	<b>(114)</b>
In case 10% appreciation of EUR against TRY		
4 - EUR net assets/liabilities	(123)	123
5 - Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(123)</b>	<b>123</b>
<b>TOTAL (3 + 6)</b>	<b>(8)</b>	<b>8</b>

**Foreign currency sensitivity table**

**31 December 2014**

	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TRY		
1 - USD Dollars net assets/liabilities	(13)	13
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1 +2)</b>	<b>(13)</b>	<b>13</b>
In case 10% appreciation of EUR against TRY		
4 - EUR net assets/liabilities	(420)	420
5 - Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(420)</b>	<b>420</b>
<b>TOTAL (3 + 6)</b>	<b>(433)</b>	<b>433</b>

**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

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

**30 September 2015**

Financial assets

Cash and cash equivalents	220,117	-	220,117	5
Trade receivables ( including trade receivables from related parties)	37,394	-	37,394	6
Other receivables ( including trade receivables from related parties)	686	-	686	

Financial liabilities

Trade payables ( including trade payables to related parties)	-	752,339	752,339	6
Other payables ( including trade payables to related parties)	-	1,051	1,051	

**31 December 2014**

Financial assets

Cash and cash equivalents	192,998	-	192,998	5
Trade receivables ( including trade receivables from related parties)	26,833	-	26,833	6
Other receivables ( including trade receivables from related parties)	710	-	710	

Financial liabilities

Trade payables ( including trade payables to related parties)	-	691,684	691,684	6
Other payables ( including trade payables to related parties)	-	802	802	

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





**TEKNOSA İÇ VE DIŞ TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

---

**NOTE 21 -- EVENTS AFTER THE REPORTING PERIOD**

The Group closed two new stores in İstanbul and Batman between the balance sheet date and 2 November 2015. In addition to this, the Group revised two stores in Edirne and Rize between the balance sheet date and 2 November 2015. The related changes decreased the retail sales area of the Group by 828 meter squares.