

TEKNOSA İÇ VE DIŞ TİCARET A.Ş.

**CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD 1 JANUARY-30 JUNE
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 balance sheet of Teknosa İç ve Dış Ticaret A.Ş. and its subsidiary (together will be referred as the "Group") as of 30 June 2015 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-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, 3 August 2015

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

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

		Current period (Reviewed) 30 June 2015	Prior period (Audited) 31 December 2014
	Notes		
ASSETS			
Current Assets		638,562	761,775
Cash and cash equivalents	5	111,277	192,998
Trade receivables		47,033	26,833
<i>Trade receivables from related parties</i>	4	6,592	3,999
<i>Trade receivables from third parties</i>	6	40,441	22,834
Inventories	7	454,498	530,417
Prepaid expenses	8	24,139	9,872
Other current assets	13	1,615	1,655
Non current assets		197,865	187,204
Other receivables		651	710
Investment property		10,651	10,746
Property, plant and equipment	9	118,942	118,261
Intangible assets		29,886	27,165
Prepaid expenses	8	1,676	308
Deferred tax assets		21,432	16,072
Other non current assets	13	14,627	13,942
TOTAL ASSETS		836,427	948,979

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 JUNE 2015

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

	Notes	Current period (Reviewed) 30 June 2015	Prior period (Audited) 31 December 2014
LIABILITIES			
Current liabilities		683,235	757,229
Trade payables		612,819	691,684
<i>Trade payables to related parties</i>	4	1,801	7,321
<i>Trade payables to third parties</i>	6	611,018	684,363
Liabilities related to employee benefits	10	14,893	8,006
Other payables		927	802
<i>Other payables to third parties</i>		927	802
Deferred income	8	25,936	21,489
Current period tax liability		8	1,435
Short term provisions		7,576	9,102
<i>Provisions related to employee benefits</i>	10	5,763	8,011
<i>Other short term provisions</i>	11	1,813	1,091
Other current liabilities	13	21,076	24,711
Non current liabilities		3,297	3,370
Provisions for employment termination benefits	10	3,297	3,370
EQUITY		149,895	188,380
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		(596)	(471)
<i>Losses on remeasurement of defined benefit plans</i>		(596)	(471)
Retained earnings		47,456	85,034
Net loss for the period		(22,300)	(19,975)
TOTAL LIABILITIES		836,427	948,979

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 JUNE 2015

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

	Notes	Current period (Reviewed) 1 January – 30 June 2015	Current period (Not reviewed) 1 April – 30 June 2015	Prior period (Reviewed) 1 January – 30 June 2014	Prior period (Not reviewed) 1 April – 30 June 2014
Revenue	14	1,388,980	723,331	1,390,609	709,037
Cost of sales (-)	14	(1,135,458)	(592,667)	(1,131,966)	(580,671)
GROSS PROFIT		253,522	130,664	258,643	128,366
Marketing expenses (-)	15	(225,356)	(116,613)	(228,601)	(113,729)
General administrative expenses (-)	15	(29,079)	(15,043)	(22,252)	(11,152)
Other operating income	16	7,331	4,143	5,940	1,545
Other operating expenses (-)	16	(22,646)	(11,905)	(26,181)	(14,101)
OPERATING LOSS		(16,228)	(8,754)	(12,451)	(9,071)
Income from investing activities	17	380	256	4,912	1,606
OPERATING LOSS BEFORE FINANCIAL EXPENSE		(15,848)	(8,498)	(7,539)	(7,465)
Finance expenses (-)	18	(11,800)	(6,435)	(10,553)	(5,980)
LOSS BEFORE TAX		(27,648)	(14,933)	(18,092)	(13,445)
Tax income / (expense)		5,348	2,930	3,487	2,622
- Current tax expense	19	19	19	(1,618)	(198)
- Deferred tax income		5,329	2,911	5,105	2,820
NET LOSS FOR THE PERIOD		(22,300)	(12,003)	(14,605)	(10,823)
OTHER COMPREHENSIVE INCOME / (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Gain / (loss) on remeasurement of defined benefit plans		(125)	9	82	5
Deferred tax expense		(156)	11	103	7
Deferred tax expense		31	(2)	(21)	(2)
Items that will be reclassified subsequently to profit or loss					
Loss on cash flow hedges		-	-	(660)	(660)
Deferred tax income		-	-	(825)	(825)
Deferred tax income		-	-	165	165
TOTAL COMPREHENSIVE LOSS		(22,425)	(11,994)	(15,183)	(11,478)
(Loss) / earnings per share (1000 shares)		(0.020)	(0.011)	(0.013)	(0.010)

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 JUNE 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
<u>Prior period</u>									
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	-	-	-	-	82	(660)	-	(14,605)	(15,183)
Balance at 30 June 2014	110,000	6,628	7,161	3	(218)	(660)	85,034	(14,605)	193,343
<u>Current Period</u>									
Balance at 1 January 2015	110,000	6,628	7,161	3	(471)	-	85,034	(19,975)	188,380
Transfer to retained earnings	-	-	1,543	-	-	-	(21,518)	19,975	-
Dividends (*)	-	-	-	-	-	-	(16,060)	-	(16,060)
Total comprehensive income	-	-	-	-	(125)	-	-	(22,300)	(22,425)
Balance at 30 June 2015	110,000	6,628	8,704	3	(596)	-	47,456	(22,300)	149,895

(*) 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 JUNE 2015

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

	Notes	Current period (Reviewed) 1 January – 30 June 2015	Prior period (Reviewed) 1 January – 30 June 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		(22.300)	(14.605)
Adjustments:			
Interest expense, credit cards' commissions and other financing expenses	18	11.800	10.553
Depreciation and amortization expenses	15	20.785	17.262
Retirement pay provision	10	1.355	1.970
Unused vacation provision	10	407	437
Loss arising tangible assets' disposal of closed down stores	9	2.382	989
Release of impairment of tangible assets related to the stores to be closed, net	9	(3.268)	811
Provision for impairment on inventories		547	1.449
Interest income	17	(380)	(4.912)
Tax expense		(5.348)	(3.487)
		5.980	10.467
Operating cash flows before changes in working capital			
(Increase) / decrease in trade receivables and other receivables		(17.607)	6.794
(Increase) in trade receivables from related parties		(2.593)	(1.128)
Decrease / (increase) in inventories		75.372	(116.496)
(Increase) / decrease in other current assets and prepaid		(15.595)	7.632
(Increase) / decrease in other non current assets		(626)	365
(Decrease) in trade payables		(73.345)	(10.511)
(Decrease) in trade payables to related parties		(5.520)	(963)
Increase / (decrease) in other current liabilities		5.891	(8.454)
(Decrease) / increase in other non current liabilities		(66)	455
Retirement pay provision paid		(1.518)	(2.064)
Current tax paid		(1.408)	(6.031)
Cash used in operations		(31.035)	(119.934)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets	9	(19.430)	(21.468)
Purchase of intangible assets		(3.776)	(4.745)
Interest received	17	380	4.912
Cash used in investment activities		(22.826)	(21.301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest, credit card commissions and other finance costs paid	18	(11.800)	(10.553)
Dividend payments		(16.060)	(44.218)
Cash used in financing activities		(27.860)	(54.771)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(81.721)	(196.006)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		192.998	320.182
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		111.277	124.176

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 JUNE 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 3,614 as of 30 June 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 288 stores with 172,208 square meters retail space as of 30 June 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 June 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.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 1,596 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 1,101 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 199 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.

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

- 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.

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
Annual Improvements to
2010-2012 Cycle
Annual Improvements to
2011-2013 Cycle

*Defined Benefit Plans: Employee Contributions*¹
*TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24,
TFRS 9, TAS 37, TAS 39*¹

*TFRS 3, TFRS 13, TAS 40*¹

¹ Effective for annual periods beginning on or after 30 June 2014

Amendments to IAS 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.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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'.

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 37 and TAS 39, respectively.

Annual Improvements to 2011-2013 Cycle

TFRS 3: Clarify that IFRS 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.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 TFRSs in issue but not yet effective

The Group has not applied the following new and revised TFRSs 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</i> ¹
Annual Improvements to 2011-2013 Cycle	<i>TFRS 1</i> ²
Amendments to TAS 1	<i>Disclosure Initiative</i> ²
Annual Improvements to 2012-2014 Cycle	<i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> ²

¹ Effective for annual periods beginning on or after 31 December 2015.

² 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.

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.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 TFRSs in issue but not yet effective (Continued)

Annual Improvements 2011-2013 Cycle

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

Amendments to TAS 1 *Disclosure Initiative*

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

Annual Improvements 2012-2014 Cycle

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

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.

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.

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

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.

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 3,268 of net impairment reversal as of 30 June 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 June 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 June 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 JUNE 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 (502) as of 30 June 2015 (31 December 2014: TRY 13,526), net sales for the six-month period ended as of 30 June 2015 amounts to TRY 117,234 (30 June 2014: TRY 104,099) and net loss amounts to TRY 14,028 (30 June 2014: TRY 12,240 net loss).

The details of the segment reporting are as follows:

	1 January - 30 June 2015		
	Retailer	Dealer	Total
Total segment income	1,332,097	56,883	1,388,980
Income from third party customers	1,332,097	56,883	1,388,980
Profit before interest, severance pay, depreciation and amortization (EBITDA)	13,363	7,864	21,227
Depreciation and amortization	20,494	291	20,785
(Impairment) / reversal, net	3,268	-	3,268
	1 January - 30 June 2014		
	Retailer	Dealer	Total
Total segment income	1,347,570	43,039	1,390,609
Income from third party customers	1,347,570	43,039	1,390,609
Profit before interest, severance pay, depreciation and amortization (EBITDA)	23,319	3,703	27,022
Depreciation and amortization	17,059	203	17,262
(Impairment) / reversal, net	(811)	-	(811)

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

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

NOTE 3 – SEGMENT REPORTING (Continued)

	1 April - 30 June 2015		
	Retailer	Dealer	Total
Total segment income	683,460	39,871	723,331
Income from third party customers	683,460	39,871	723,331
Profit before interest, severance pay, depreciation and amortization (EBITDA)	3,903	6,254	10,157
Depreciation and amortization (Impairment) / reversal, net	10,236 837	148 -	10,384 837
	1 April - 30 June 2014		
	Retailer	Dealer	Total
Total segment income	684,429	24,608	709,037
Income from third party customers	684,429	24,608	709,037
Profit before interest, severance pay, depreciation and amortization (EBITDA)	9,730	3,235	12,965
Depreciation and amortization (Impairment) / reversal, net	8,761 (1,005)	106 -	8,867 (1,005)

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

	1 January 30 June 2015	1 April- 30 June 2015	1 January- 30 June 2014	1 April- 30 June 2014
EBITDA for reportable segment information	21,227	10,157	27,022	12,965
Depreciation	(20,785)	(10,384)	(17,262)	(8,867)
Finance expenses	(11,800)	(6,435)	(10,553)	(5,980)
Investment income	380	256	4,912	1,606
Other expenses - net	(15,315)	(7,762)	(20,241)	(12,556)
Provision for employee termination benefits	(1,355)	(765)	(1,970)	(613)
(Loss) / Profit before tax	(27,648)	(14,933)	(18,092)	(13,445)

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

	30 June 2015	
	Receivables	Payables
	Current	Current
	Trading	Trading
Balances with related parties		
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	4,093	(191)
Ak Finansal Kiralama A.Ş.	1,863	-
Akbank T.A.Ş.	476	-
Aksigorta A.Ş.	64	(5)
Avivasa Emeklilik ve Hayat A.Ş.	33	(2)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	21	(1,090)
Akçansa Çimento San. ve Tic. A.Ş.	22	-
Hacı Ömer Sabancı Holding A.Ş.	10	(5)
Enerjisa Enerji A.Ş. ve iştirakleri	-	(493)
Çimsa Çimento Sanayi ve Ticaret A.Ş.	5	-
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	2	(13)
Philip Morris Sabancı Pazarlama Satış A.Ş.	3	-
Birlas Motor Sporları Otomotiv San. İmalat.Ve Tic.Ltd.Şti.	-	(1)
Temsa Global Sanayi ve Ticaret A.Ş.	-	(1)
	<u>6,592</u>	<u>(1,801)</u>

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

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

	31 December 2014	
	Receivables	Payables
	Current	Current
	Trading	Trading
<u>Balances with related parties</u>		
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>
	30 June	31 December
<u>Deposit accounts in Akbank T.A.Ş.</u>	<u>2015</u>	<u>2014</u>
Demand deposit	435	1,392
Time deposit	11,600	144,250
	<u>12,035</u>	<u>145,642</u>
	30 June	31 December
<u>Credit card slip receivables from Akbank T.A.Ş.</u>	<u>2015</u>	<u>2014</u>
Credit card slip receivables	1,547	4,163
	<u>1,547</u>	<u>4,163</u>

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

Transactions with related parties	1 January - 30 June 2014		
	Sales	Rent expense	Other expenses
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	1,445	(4,000)	(453)
Akbank T.A.Ş.	930	-	-
Avivasa Emeklilik ve Hayat A.Ş.	383	-	(136)
H.Ö. Sabancı Holding A.Ş.	130	(9)	-
Akçansa Çimento San. ve Tic. A.Ş.	61	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş.	14	-	-
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	5	-	-
Aksigorta A.Ş.	-	(8)	(223)
Enerjisa Enerji A.Ş. ve İştirakleri	-	-	(2,957)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	47	-	(17)
Bimsa Uluslararası İş Bilgi ve Yönetim Sis. A.Ş.	-	-	(1,535)
	<u>3,015</u>	<u>(4,017)</u>	<u>(5,321)</u>

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

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

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

	1 January – 30 June 2015	1 January – 30 June 2014
Salaries and other benefits	2,829	2,218
	<u>2,829</u>	<u>2,218</u>

NOTE 5 – CASH AND CASH EQUIVALENTS

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

	30 June 2015	31 December 2014
Cash	1,038	1,295
Demand deposit	2,692	1,718
Time deposit	101,111	175,532
Credit card slip receivables	6,436	14,453
	<u>111,277</u>	<u>192,998</u>

As of 30 June 2015, Group's time deposits include Turkish Liras with the average interest rates of 11.03%. (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 June 2015 and 31 December 2014 are as follows:

<u>Current Trade Receivables</u>	30 June 2015	31 December 2014
Trade receivables	30,322	19,197
Due from related parties (Note 4)	6,592	3,999
Notes receivables	13,858	5,852
Allowance for doubtful receivables (-)	(3,739)	(2,215)
	<u>47,033</u>	<u>26,833</u>

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

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

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

	30 June 2015	31 December 2014
Letters of guarantees received	11,474	4,376
Mortgages	5,142	2,706
	<u>16,616</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 11,020. (31 December 2014: TRY 10,695).Group have no any sold or give re-pledge guarantees or mortgages from balance date.

	30 June 2015	31 December 2014
<i>Current Trade Payables</i>		
Trade payables	596,301	682,095
Trade payables to related parties (Note 4)	1,801	7,321
Expense accruals	14,717	2,268
	<u>612,819</u>	<u>691,684</u>

As of 30 June 2015, the Group net-off income accruals related to suppliers in the amount of TRY 70,692 with its trade payables (31 December 2014: TRY 22,720).

NOTE 7 – INVENTORIES

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

	30 June 2015	31 December 2014
Trade goods	457,324	531,461
Goods in transit	2,209	3,444
Provision for impairment on inventories (-)	(5,035)	(4,488)
	<u>454,498</u>	<u>530,417</u>

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

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

NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE

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

	30 June 2015	31 December 2014
<i>Short-term Prepaid Expenses</i>		
Order advances given for inventory purchase	13,236	372
Short term prepaid expenses	10,903	9,500
	<u>24,139</u>	<u>9,872</u>
	30 June 2015	31 Aralık 2014
<i>Long-term Prepaid Expenses</i>		
Long term prepaid expenses	1,676	308
	<u>1,676</u>	<u>308</u>

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

	30 June 2015	31 December 2014
<i>Short-term Deferred Revenue</i>		
Order advances received	25,110	20,961
Other	826	528
	<u>25,936</u>	<u>21,489</u>

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**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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 June 2015 is as below:

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

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

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

Depreciation and amortization expenses amounting to TRY 13,205 (2014: TRY 13,256) are included in marketing expenses and TRY 7,580 (2014: TRY 4,006) are included in general administrative expenses.

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**NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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 June 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	-	-	-	-	4,317	5,305	11,846	21,468
Disposals	-	-	-	-	(1,675)	(1,467)	-	(3,142)
Transfer from construction on progress (*)	-	-	-	-	2,344	6,968	(10,655)	(1,343)
Closing balance at 30 June 2014	3,444	6,310	449	86	81,718	120,322	4,540	216,869
Accumulated depreciation								
Opening balance at 1 January 2014	-	(584)	(271)	(72)	(41,176)	(44,192)	-	(86,295)
Current charge	-	(104)	(28)	(4)	(5,564)	(7,917)	-	(13,617)
Disposals	-	-	-	-	1,212	941	-	2,153
Provision for / (reversal of) impairment net (**)	-	-	-	-	(7)	(804)	-	(811)
Closing balance at 30 June 2014	-	(688)	(299)	(76)	(45,535)	(51,972)	-	(98,570)
Net book value at 30 June 2014	3,444	5,622	150	10	36,183	68,350	4,540	118,299

(*) The capital expenditure amounting to TRY 1,343 has been made for intangible assets as of 30 June 2014.

(**) Impairment calculated for tangible fixed assets is TRY 1,129 as of 30 June 2014. Reversal of impairment amount is TRY 318 as of 30 June 2014.

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NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 June 2015 and 31 December 2014 are presented below:

	30 June 2015	31 December 2014
Accrued salaries	7,257	154
Social security premiums payable	7,636	7,852
	<u>14,893</u>	<u>8,006</u>

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

	30 June 2015	31 December 2014
<i>Short-term Provisions</i>		
Sales personnel premium provision	1,765	2,754
Unused vacation provision	2,632	2,225
Administrative personnel premium provision	1,138	1,032
Restructuring expenses provision	228	2,000
	<u>5,763</u>	<u>8,011</u>

	30 June 2015	31 December 2014
<i>Long-term Provisions</i>		
Retirement pay provision	2,055	2,062
Administrative personnel premium provision	1,242	1,308
	<u>3,297</u>	<u>3,370</u>

NOTE 11 – PROVISIONS

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

	30 June 2014	31 December 2013
Litigation provisions (*)	1,119	541
Other	694	550
	<u>1,813</u>	<u>1,091</u>

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

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NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 June 2015	31 December 2014
Less than 1 year	70,001	71,286
Between 1-5 years	610,244	586,540
More than 5 years	119,882	140,305
	<u>800,127</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 June 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. 117 of these 135 lawsuits amounting TRY 8,974 is still continuing.

TRY 4,108 resulted in the Company's favor and appealed for correction (TRY 118 resulted in the Company's favor and TRY 4,037 resulted in the Company's favor but have been appealed by the administrative board. The process is still continuing.) 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 whereas the part of amounting to TRY 3,012 was lost. Lost causes have been appealed by the administrative board. The process is still continuing. Including the approved lawsuit and the ones that have ended in opposition to the Group, a total payment of TRY 5,615 (VAT amount of TRY 459 regarded as tax deduction) has been made in 2013.

The Group Management has accounted for TRY 5,157 of income accrual regarding such tax penalties in the consolidated financial statements at 30 June 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).

NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 19 February 2015 against the Company and other companies mentioned in the resolution requesting their statement in order to predict if the Law no. 4054 is violated or not.

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 June 2015 and 31 December 2014 are as follows:

CPMs given by the Group

	30 June 2015			
	TRY equivalent	USD	Euro	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	37,767	2,810	5,111	14,976
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>37,767</u>	<u>2,810</u>	<u>5,111</u>	<u>14,976</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	-	-	-	-
Total	<u><u>37,767</u></u>	<u><u>2,810</u></u>	<u><u>5,111</u></u>	<u><u>14,976</u></u>

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

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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	-	-	-	-
Total	<u>36,167</u>	<u>2,995</u>	<u>5,117</u>	<u>14,788</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 31 December 2014 is 0%.

NOTE 13 – OTHER ASSETS AND LIABILITIES

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

	30 June 2015	31 December 2014
<i><u>Other Current Assets</u></i>		
Advances given	1,063	1,522
Other current assets	<u>552</u>	<u>133</u>
	<u>1,615</u>	<u>1,655</u>
<i><u>Other Non-current Assets</u></i>		
Deferred VAT	9,470	8,785
Income accrual (Note 12)	<u>5,157</u>	<u>5,157</u>
	<u>14,627</u>	<u>13,942</u>

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

NOTE 13 – OTHER ASSETS AND LIABILITIES (Continued)

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

<u>Other Current Liabilities</u>	30 June 2015	31 December 2014
VAT payable	19,028	23,054
Other expense accruals (*)	1,222	890
Other liabilities and obligations	826	767
	<u>21,076</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 six month periods ended 30 June 2015 and 2014 are stated below:

	1 January – 30 June 2015	1 April – 30 June 2015	1 January – 30 June 2014	1 April – 30 June 2014
<u>Sales Income (net)</u>				
Consumer electronics retail sales	1,332,097	683,460	1,347,570	684,429
Sales of air conditioner, cash registers and white goods	56,883	39,871	43,039	24,608
	<u>1,388,980</u>	<u>723,331</u>	<u>1,390,609</u>	<u>709,037</u>
<u>Cost of Sales</u>				
Cost of goods sold	(1,132,232)	(590,254)	1,130,002	(579,730)
Installation and warranty expenses	(3,226)	(2,413)	1,964	(941)
	<u>(1,135,458)</u>	<u>(592,667)</u>	<u>1,131,966</u>	<u>(580,671)</u>

NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 six-month periods ended 30 June 2015 and 2014 are stated below:

	1 January – 30 June 2015	1 April – 30 June 2015	1 January – 30 June 2014	1 April – 30 June 2014
<i>Marketing Expenses</i>				
Rent expenses	(77,956)	(39,844)	(80,306)	(39,950)
Personnel expenses	(68,748)	(35,092)	(69,579)	(32,752)
Advertising and promotion expenses	(31,281)	(17,720)	(28,329)	(15,290)
Depreciation and amortization expenses	(13,205)	(6,412)	(13,256)	(6,616)
Transportation expenses	(12,517)	(6,418)	(14,185)	(7,933)
Energy, fuel and water expenses	(7,049)	(3,428)	(6,986)	(3,127)
Consulting expenses	(3,669)	(1,848)	(4,437)	(2,825)
Maintenance expenses	(3,475)	(1,763)	(3,289)	(1,590)
Communication expenses	(573)	(285)	(807)	(427)
Travel expenses	(615)	(322)	(636)	(299)
Other expenses	(6,268)	(3,481)	(6,791)	(2,920)
	<u>(225,356)</u>	<u>(116,613)</u>	<u>(228,601)</u>	<u>(113,729)</u>
<i>Administrative Expenses</i>				
Personnel expenses	(9,437)	(4,779)	(9,691)	(4,812)
Depreciation and amortization expenses	(7,580)	(3,972)	(4,006)	(2,251)
IT expenses	(4,080)	(2,028)	(2,700)	(1,230)
Rent expenses	(2,938)	(1,512)	(2,475)	(1,313)
Consulting expenses	(1,822)	(1,524)	(1,232)	(535)
Bad debt expense	(1,275)	(283)	(199)	(131)
Travel expenses	(239)	(136)	(326)	(158)
Energy, fuel and water expenses	(253)	(115)	(287)	(149)
Maintenance expenses	(205)	(101)	(121)	(86)
Other expenses	(1,250)	(593)	(1,215)	(487)
	<u>(29,079)</u>	<u>(15,043)</u>	<u>(22,252)</u>	<u>(11,152)</u>

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(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 six-month periods ended 30 June 2015 and 2014 are stated below:

	1 January – 30 June 2015	1 April – 30 June 2015	1 January – 30 June 2014	1 April – 30 June 2014
<i>Other Operating Income</i>				
Foreign exchange gains	2,705	1,344	2,459	231
Discount income	1,827	1,199	2,152	916
Gain on sale of fixed assets	1,163	278	-	-
Deductions from personnel	399	230	348	175
Gains from gift cheques	256	195	259	130
Other income	981	897	722	93
	<u>7,331</u>	<u>4,143</u>	<u>5,940</u>	<u>1,545</u>
<i>Other Operating Expenses (-)</i>				
Discount expenses	(15,963)	(9,400)	(20,571)	(11,081)
Foreign exchange losses	(2,562)	(968)	(2,118)	(463)
Litigation expenses	(1,566)	(791)	(139)	(99)
Loss on sale of fixed assets	-	-	(1,713)	(1,577)
Evacuation expenses of stores	(859)	-	-	-
Commission expenses	(525)	(321)	(668)	(668)
Donation and aid	(134)	(129)	(10)	(3)
Taxes, duties, charges and funds	(22)	(18)	(22)	(18)
Other expenses	(1,015)	(278)	(940)	(192)
	<u>(22,646)</u>	<u>(11,905)</u>	<u>(26,181)</u>	<u>(14,101)</u>

NOTE 17 – INCOME FROM INVESTING ACTIVITIES

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

	1 January – 30 June 2015	1 April – 30 June 2015	1 January – 30 June 2014	1 April – 30 June 2014
Interest income	380	256	4,912	1,606
	<u>380</u>	<u>256</u>	<u>4,912</u>	<u>1,606</u>

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

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

NOTE 18 – FINANCE EXPENSES

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

	1 January – 30 June 2015	1 April – 30 June 2015	1 January – 30 June 2014	1 April – 30 June 2014
Credit card commission expenses	(5,094)	(2,868)	(6,731)	(3,193)
Interest and commission expenses	(4,480)	(2,219)	(1,136)	(1,131)
Credit card promotion expenses	(2,075)	(1,267)	(2,415)	(1,440)
Guarantee letters commission expenses	(80)	(42)	(60)	(34)
Other finance expenses	(71)	(39)	(211)	(182)
	<u>(11,800)</u>	<u>(6,435)</u>	<u>(10,553)</u>	<u>(5,980)</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.

NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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	30 June 2015				
	Equivalents of TRY	USD	Euro	GBP	Other
1. Trade receivable	2,413	862	32	-	109
2a. Monetary financial assets	127	26	19	-	-
2b. Non monetary financial assets	-	-	-	-	-
3. Other	13,493	2,549	2,226	-	352
4. CURRENT ASSETS	16,033	3,437	2,277	-	461
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. NON CURRENT ASSETS	-	-	-	-	-
9. TOTAL ASSETS	16,033	3,437	2,277	-	461
10. Trade payables	1,346	483	15	1	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	1,984	339	360	-	-
12b. Non monetary other liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	3,330	822	375	1	-
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	3,330	822	375	1	-
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)	12,703	2,615	1,902	(1)	461
21. Monetary items net foreign currency assets/(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(790)	66	(324)	(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	-	-	-	-	-

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

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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	-	-
4. CURRENT ASSETS	4,452	1,699	181	-	109
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. NON CURRENT ASSETS	-	-	-	-	-
9. TOTAL ASSETS	4,452	1,699	181	-	109
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	-	-	-	-	-
13. CURRENT LIABILITIES	8,763	1,746	1,670	1	-
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non monetary other liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-	-
18. TOTAL LIABILITIES	8,763	1,746	1,670	1	-
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	-	-	-	-	-

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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 June 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	18	(18)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1 +2)	18	(18)
In case 10% appreciation of EUR against TRY		
4 - EUR net assets/liabilities	(97)	97
5 - Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(97)	97
TOTAL (3 + 6)	(79)	79

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 (-)	-	-
3- USD net effect (1 +2)	(13)	13
In case 10% appreciation of EUR against TRY		
4 - EUR net assets/liabilities	(420)	420
5 - Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(420)	420
TOTAL (3 + 6)	(433)	433

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NOTES TO THE REVIEWED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 June 2015	Loans and receivables	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>				
Cash and cash equivalents	111,277	-	111,277	5
Trade receivables (including trade receivables from related parties)	47,033	-	47,033	6
Other receivables (including trade receivables from related parties)	651	-	651	
<u>Financial liabilities</u>				
Trade payables (including trade payables to related parties)	-	612,819	612,819	6
Other payables (including trade payables to related parties)	-	927	927	
Derivative financial liabilities	-	-	-	19

31 December 2014

31 December 2014	Loans and receivables	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>				
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	
<u>Financial liabilities</u>				
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

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

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NOTE 21 – EVENTS AFTER THE REPORTING PERIOD

The Group opened two new stores in İstanbul and Balıkesir between the balance sheet date and 3 August 2015. In addition, the Group revised a store in Edirne between the balance sheet date and 3 August 2015. The related changes increased the retail sales area of the Group by 472 meter squares.

The Competition Board resolved to commence a prosecution by the resolution no. 15-28/319 dated 7 July 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.

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 can not 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.