

MİGROS TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 30 JUNE 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT
(ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REVIEW REPORT ORIGINALLY ISSUED IN TURKISH**

**REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**

To the Board of Directors of Migros Ticaret A.Ş.

Introduction

1. We have reviewed the accompanying condensed consolidated balance sheet of Migros Ticaret A.Ş. and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017 and the related condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with Turkish Accounting Standard 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim condensed consolidated financial information of Migros Ticaret A.Ş. is not prepared, in all material respects, in accordance with TAS 34.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Burak Özpoyraz, SMMM
Partner

Istanbul, 10 August 2017

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED BALANCE SHEETS	1-2
INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS	3
INTERIM CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME.....	4
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	5
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	6-7
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	8-54
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS.....	8-10
NOTE 2 BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	11-16
NOTE 3 SEGMENT REPORTING.....	17-21
NOTE 4 DERIVATIVE FINANCIAL INSTRUMENTS.....	21-22
NOTE 5 INVESTMENT PROPERTY	22-23
NOTE 6 PROPERTY, PLANT AND EQUIPMENT	24-25
NOTE 7 INTANGIBLE ASSETS	26-28
NOTE 8 INVENTORIES	28
NOTE 9 GOODWILL AND BUSINESS COMBINATIONS.....	29-30
NOTE 10 FINANCIAL LIABILITIES.....	31-34
NOTE 11 PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES	35-37
NOTE 12 PROVISION FOR EMPLOYEE BENEFITS	38-39
NOTE 13 REVENUE	39-40
NOTE 14 EXPENSES BY NATURE.....	40-41
NOTE 15 OTHER OPERATING INCOME AND EXPENSES	42
NOTE 16 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES	42
NOTE 17 FINANCIAL INCOME.....	43
NOTE 18 FINANCIAL EXPENSES.....	43
NOTE 19 TAX ASSET AND LIABILITIES	43-46
NOTE 20 CAPITAL, RESERVES AND OTHER EQUITY ITEMS.....	46-48
NOTE 21 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	48-49
NOTE 22 EARNINGS / (LOSSES) PER SHARE	50
NOTE 23 EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION	50-53
NOTE 24 FINANCIAL INSTRUMENTS.....	53-54
NOTE 25 SUBSEQUENT EVENTS.....	54

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2017
AND 31 DECEMBER 2016**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

		30 June 2017	Restated(*) 31 December 2016	Restated(*) 31 December 2015
	Notes			
ASSETS				
Current Assets:				
Cash and cash equivalents		1.273.887	1.155.942	839.424
Financial investments		15.103	714	4.085
Trade receivables				
Trade receivables from related parties	21	697	600	496
Trade receivables from third parties		87.916	57.838	49.349
Other receivables from third parties		10.837	8.258	5.924
Derivative instruments	4	3	602	-
Inventories	8	1.765.960	1.212.074	1.052.680
Prepaid expenses		57.506	34.792	31.465
Other current assets		6.548	527	407
Total current assets		3.218.457	2.471.347	1.983.830
Non-current assets:				
Financial investments		1.165	1.165	1.165
Other receivables from third parties		2.405	2.280	2.035
Derivative instruments	4	164	18	422
Investment properties	5	165.682	144.719	146.405
Property, plant and equipment	6	3.068.246	1.268.333	1.220.623
Intangible assets				
Goodwill	9	2.252.992	2.252.992	2.251.427
Other intangible assets	7	152.632	107.038	84.689
Prepaid expenses		42.441	28.834	18.428
Total non-current assets		5.685.727	3.805.379	3.725.194
Total assets		8.904.184	6.276.726	5.709.024

(*) Note 2.2

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2017
AND 31 DECEMBER 2016**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	30 June 2017	Restated(*) 31 December 2016	Restated(*) 31 December 2015
LIABILITIES				
Current liabilities:				
Short term portion of long term borrowings	10	370.599	238.513	212.910
Short term borrowings	10	531.249	102.012	-
Trade payables				
Trade payables to related parties	21	195.203	175.170	146.099
Trade payables to third parties		3.267.939	2.488.489	2.081.705
Employee benefits payables		127.944	76.261	47.193
Other payables to third parties		179.801	65.017	41.442
Deferred income		45.940	32.416	24.397
Taxes on income	19	8.078	19.952	9.595
Short term provisions				
Short term provisions for employee benefits	12	114.509	93.105	75.970
Other short term provisions	11	77.428	27.672	83.283
Other current liabilities		3.375	2.153	3.077
Total current liabilities		4.922.065	3.320.760	2.725.671
Non-current liabilities:				
Long term borrowings	10	2.696.999	2.623.011	2.380.236
Other payables to third parties		5.850	3.629	3.181
Deferred income		3.421	4.592	850
Long term provisions				
Long term provisions for employee benefits	12	123.920	79.057	64.283
Deferred tax liabilities	19	103.264	53.064	60.171
Total non-current liabilities		2.933.454	2.763.353	2.508.721
Total liabilities		7.855.519	6.084.113	5.234.392
EQUITY				
Attributable to equity holders of parent	20	992.429	191.793	473.988
Share capital		178.030	178.030	178.030
Other capital reserves		(365)	(365)	(365)
Additional contribution to share capital		27.312	27.312	27.312
Share premium		-	678.233	678.233
Other comprehensive income/(expense)				
not to be classified to profit or loss				
defined benefit plans				
re-measurement (losses)		(8.517)	(9.180)	(8.350)
Other comprehensive income/expense				
to be classified to profit or loss				
Currency translation differences		33.993	23.512	4.720
Restricted reserves		-	439.138	504.766
Accumulated losses		(27.516)	(844.730)	(533.831)
Net income/(loss)		789.492	(300.157)	(376.527)
Non-controlling interest		56.236	820	644
Total equity		1.048.665	192.613	474.632
Total liabilities and equity		8.904.184	6.276.726	5.709.024

(*) Note 2.2

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017 AND 2016**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	1 January - 30 June 2017	1 April - 30 June 2017	Restated(*) 1 January - 30 June 2016	Restated(*) 1 April - 30 June 2016
Revenue	3,13	7.036.942	3.923.307	5.079.045	2.667.948
Cost of sales (-)	3,13, 14	(5.205.084)	(2.908.778)	(3.710.054)	(1.958.496)
Gross profit		1.831.858	1.014.529	1.368.991	709.452
General administrative expenses (-)	14	(289.631)	(181.439)	(168.043)	(85.391)
Marketing expenses (-)	14	(1.377.512)	(743.622)	(1.039.171)	(537.828)
Other operating income	15	58.408	35.217	33.179	16.871
Other operating expense (-)	15	(170.347)	(103.074)	(103.361)	(56.828)
Operating profit		52.776	21.611	91.595	46.276
Income from investment activities	16	1.071.105	1.531	543	83
Expenses from investment activities (-)	16	(5.907)	(4.330)	(36.589)	(35.205)
Operating income before finance income/(expense)		1.117.974	18.812	55.549	11.154
Financial income	17	27.041	10.345	13.577	5.300
Financial expense (-)	18	(347.222)	(145.258)	(125.374)	(52.532)
Net income/(loss) before tax from continuing operations		797.793	(116.101)	(56.248)	(36.078)
Tax expense from continuing operations		(11.181)	(3.320)	(5.783)	(210)
- Income tax expense	19	(12.028)	(11.275)	(20.937)	(12.781)
- Deferred tax income	19	847	7.955	15.154	12.571
Net income/(loss)		786.612	(119.421)	(62.031)	(36.288)
Net income/(loss) attributable to:					
- Non-controlling interest		(2.880)	(1.899)	29	14
- Equity holders of parent		789.492	(117.522)	(62.060)	(36.302)
Earning/(loss) per share	22	4,43	(0,66)	(0,35)	(0,20)

(*) Note 2.2

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017 AND 2016**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

	1 January - 30 June 2017	1 April - 30 June 2017	Restated(*) 1 January - 30 June 2016	Restated(*) 1 April- 30 June 2016
Net income/(loss) for the period	786.612	(119.421)	(62.031)	(36.288)
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss				
-Currency translation differences	10.538	3.071	480	2.216
Items that not to be reclassified subsequently to profit or loss				
- Defined benefit plan re-measurement gains/(losses), net off tax	663	663	(280)	(280)
Other comprehensive income/(loss)	11.201	3.734	200	1.936
Total comprehensive income/(loss)	797.813	(115.687)	(61.831)	(34.352)
<i>Total comprehensive income/(loss) attributable to:</i>				
-Non-controlling interests	(2.823)	(1.788)	40	14
-Equity holders of parent	800.636	(113.899)	(61.871)	(34.366)

(*) Note 2.2

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017 AND 2016**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

					Other comprehensive income / expenses not to be reclassified to profit or loss	Other comprehensive income / expenses to be reclassified to profit or loss		Retained earnings					
	Share capital	Other capital reserves	Additional contribution to share capital	Share premium	Defined benefit plans re-measurement (losses)	Cumulative translation differences	Restricted reserves	Accumulated losses	Net income /(loss) for the period	Attributable to equity holders of the parent	Non - controlling interests	Total equity	
Balances at 31 December 2015 (Previously reported)	178.030	(365)	27.312	678.233	(8.350)	4.720	504.766	(498.600)	(370.404)	515.342	644	515.986	
Effect of restatement (Note 2.2)	-	-	-	-	-	-	-	(35.231)	(6.123)	(41.354)	-	(41.354)	
Balances at 31 December 2015 (Restated)	178.030	(365)	27.312	678.233	(8.350)	4.720	504.766	(533.831)	(376.527)	473.988	644	474.632	
Balances at 1 January 2016	178.030	(365)	27.312	678.233	(8.350)	4.720	504.766	(533.831)	(376.527)	473.988	644	474.632	
Transfers	-	-	-	-	-	-	-	(376.527)	376.527	-	-	-	
Total comprehensive income	-	-	-	-	(280)	469	-	-	(62.060)	(61.871)	40	(61.831)	
Net income for the period	-	-	-	-	-	-	-	-	(62.060)	(62.060)	29	(62.031)	
Cumulative translation differences	-	-	-	-	-	469	-	-	-	469	11	480	
Defined benefit plans re-measurement (losses)	-	-	-	-	(280)	-	-	-	-	(280)	-	(280)	
Balances at 30 June 2016 (Restated)	178.030	(365)	27.312	678.233	(8.630)	5.189	504.766	(910.358)	(62.060)	412.117	684	412.801	
Balances at 31 December 2016 (Previously reported)	178.030	(365)	27.312	678.233	(9.180)	23.512	439.138	(803.376)	(292.969)	240.335	820	241.155	
Effect of restatement (Note 2.2)	-	-	-	-	-	-	-	(41.354)	(7.188)	(48.542)	-	(48.542)	
Balances at 31 December 2016 (Restated)	178.030	(365)	27.312	678.233	(9.180)	23.512	439.138	(844.730)	(300.157)	191.793	820	192.613	
Balances at 1 January 2017	178.030	(365)	27.312	678.233	(9.180)	23.512	439.138	(844.730)	(300.157)	191.793	820	192.613	
Transfers	-	-	-	(678.233)	-	-	(439.138)	817.214	300.157	-	-	-	
Acquisition of subsidiary (Note 9)	-	-	-	-	-	-	-	-	-	-	58.239	58.239	
Total comprehensive income	-	-	-	-	663	10.481	-	-	789.492	800.636	(2.823)	797.813	
Net income for the period	-	-	-	-	-	-	-	-	789.492	789.492	(2.880)	786.612	
Cumulative translation differences	-	-	-	-	-	10.481	-	-	-	10.481	57	10.538	
Defined benefit plans re-measurement gains	-	-	-	-	663	-	-	-	-	663	-	663	
Balances at 30 June 2017	178.030	(365)	27.312	-	(8.517)	33.993	-	(27.516)	789.492	992.429	56.236	1.048.665	

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017 AND 2016**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	1 January - 30 June 2017	<i>Restated</i> 1 January - 30 June 2016
Cash flow from operating activities:			
Net income/(loss) for the period		786.612	(62.031)
Adjustments related to reconciliation of profit/(loss):			
Adjustments for depreciation and amortisation expenses	14	126.778	96.121
Adjustments for impairment on receivables	15	2.074	426
Adjustments for inventory provisions	8	30.567	4.417
Adjustments for impairment on property, plant and equipment	16	5.044	34.757
Adjustments for provision for employee benefits	12	60.809	42.103
Adjustments for provision for litigation	11	9.333	5.232
Adjustments for other provisions		(867)	4.575
Adjustments for interest income		(19.969)	(11.587)
Adjustments for interest expense		122.770	80.695
Adjustments for deferred financing due to forward purchases expenses		131.530	88.228
Adjustments for unearned finance income from sales		(28.251)	(20.138)
Adjustments for foreign exchange losses related to bank borrowings		201.892	20.907
Adjustments for fair value losses arising from derivatives	18	675	232
Adjustments for income tax expense		11.181	5.783
Loss on sale of property plant and equipment		(377)	1.289
Adjustment for bargained acquisition profit	9,16	(1.069.864)	-
		369.937	291.009
Changes in working capital:			
Adjustments for increase in trade receivables		(21.871)	(29.276)
Adjustments for increase in inventories		(376.737)	(224.343)
Adjustments for (decrease)/increase in other receivables related with operations		(10.309)	1.237
Adjustments for increase in trade payables		481.296	325.178
Adjustments for increase in other payables related with operations		40.620	18.172
		482.936	381.977
Cash flows from operating activities:			
Employee benefits paid	12	(15.984)	(14.777)
Interest received		45.468	29.776
Interest paid		(142.353)	(91.958)
Taxes paid		(24.976)	(17.947)
Compensations paid	11	(9.218)	(6.540)
Net cash provided by operating activities		335.873	280.531

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017 AND 2016**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	1 January - 30 June 2017	<i>Restated</i> 1 January - 30 June 2016
Cash flows from investing activities:			
Cash outflows from the purchase of investment properties, tangible and intangible assets	5, 6, 7	(154.256)	(143.067)
Cash inflows from the sales of tangible and intangible assets	5, 6, 7, 16	5.304	905
Cash outflows due to subsidiary acquisition		(104.732)	-
Other cash inflows		49.166	-
Net cash used in investing activities		(204.518)	(142.162)
Cash flows from financing activities			
Cash out-flow or proceeds from borrowings		94.391	(69.388)
Cash paid with respect to derivative instruments		(222)	(364)
Interest received	17	3.065	2.074
Interest paid		(113.372)	(79.725)
Net cash provided by financing activities		(16.138)	(147.403)
Impact of foreign currency translation differences on cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents		2.728 117.945	749 (8.285)
Cash and cash equivalents at the beginning of period		1.155.942	839.424
Cash and cash equivalents at the end of period		1.273.887	831.139

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Migros Ticaret A.Ş., previously named as Moonlight Perakendecilik ve Ticaret Anonim Şirketi ("Moonlight"), (collectively referred to as "Migros Ticaret" or the "Company"), was established on 19 March 2008 and is registered in Istanbul, Turkey under the Turkish Commercial Code.

Moonlight acquired 50,83% of Migros Türk Ticaret A.Ş. ("Migros Türk") shares on 30 May 2008 from Koç Holding A.Ş. ("Koç Holding") at a price of TRL 1.922.440 subsequent to the approval of the Competition Board. As of 31 December 2008, Moonlight increased its shares in Migros to 97,92% through purchases made in Istanbul Stock Exchange on various dates.

In accordance with the decision taken during Migros Türk's general assembly held on 28 April 2009, Migros Türk decided to merge with Moonlight through a takeover of its assets and liabilities as a whole within the framework of Capital Markets Board ("CMB") regulations, Turkish Commercial Code, Law No. 451, and other related articles and Corporate Tax Law No. 19-20. As a result of the mentioned merger, Moonlight's capital was decided to be increased from TRL 174.323.340 to TRL 178.030.000 (Amount expresses in Turkish Lira) and in accordance with the merger agreement approved during the General Assembly, merger ratio of 0.97918 and share exchange ratio of 1,00 was determined. As a result of the merger, registered shares amounting to TRL 3.706.660 (Amount expresses in Turkish Lira) issued by Moonlight were distributed to the minority shareholders of Migros Türk in exchange for their Migros Türk shares.

The General Assembly held on 28 April 2009 regarding the merger was registered on 30 April 2009 and the merger had been legally recognised on that date. As a result of the merger, Moonlight's trade name has been changed to Migros Ticaret A.Ş.

The Company and its subsidiaries together will be referred as "the Group".

MH Perakendecilik ve Ticaret A.Ş. ("MH") transferred its Migros Ticaret A.Ş shares with the nominal value of TRL 27.371.000 to its parent company, Moonlight Capital S.A., in exchange for TRL 26 per share on 13 November 2014. MH Perakendecilik ve Ticaret A.Ş. ("MH") transferred its Migros Ticaret A.Ş shares with the nominal value of TRL 26.937.336 to its parent company, Moonlight Capital S.A., in exchange for TRL 26 per share on 31 December 2014. On 15 July 2015 Moonlight Capital S.A. sold 80,50% of the shares of MH Perakendecilik ve Ticaret A.Ş. which holds %50 of Migros Ticaret A.Ş. shares to Anadolu Endüstri Holding A.Ş. ("AEH").

On 27 January 2016, Moonlight Capital S.A. conducted a sale transaction of shares, with all rights, obligations and encumbrances, held by Moonlight Capital S.A. in Migros Ticaret A.Ş. with a total nominal value of TRL 26.937.336 pursuant to the Accession Agreement dated 27 January 2016 for a price of TRL 26,00 per share to Kenan Investments S.A. which owns all of the shares of Moonlight Capital S.A. within the scope of intragroup share transfer. As a result of these transactions, the shareholding of MH, Moonlight Capital S.A. and Kenan Investments S.A. are 50,00%, 15,37% and 15,13%, respectively.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

As of 27 January 2016, the total shares directly and indirectly held by Moonlight Capital S.A. and Kenan Investments S.A in the capital of the Company is 40,25% and the shares indirectly held by AEH in the Company is 40,25%. As a result of the mentioned transactions, the Group is jointly controlled by Moonlight Capital S.A, Kenan Investments S.A and AEH.

In regard of the 19,5% share of BC Partners managed Moonlight Capital S.A. (Moonlight Capital) in MH Perakendecilik ve Ticaret A.Ş. (MH Perakendecilik), which holds 50% shares of Migros Ticaret A.Ş. (Migros), Anadolu Endüstri Holding A.Ş. (AEH) retained a "buy option" and Moonlight Capital retained a "sell option", to be exercised within the May 1, 2017 and October 31, 2017 period.

In this context, Moonlight Capital has notified AEH on May 2, 2017 of its decision regarding the exercise of the aforementioned sale option. In regard of this transaction, AEH paid total amount of TL 509.029.436 after deductions, for the purchase of 19,5% shares of MH Perakendecilik, based on per share price of TL 30,2 for Migros, in line with the provisions of the Share Purchase Agreement dated 31 December 2014. The exercise of the option on 17 May 2017 pursuant to the transfer of purchase amount and shares, again along the provisions of the Share Purchase Agreement. Following the transaction, while AEH's share in MH Perakendecilik increased to 100,0% and accordingly its indirect share in Migros increased to 50,0%, BC Partners' share in Migros through the funds it manages is 30,5%. Migros will continue to be equally controlled by BC Partners' managed funds and AEH; as such there will be no mandatory tender offer requirement.

Through its Migros, 5M, Migros Jet, Macrocenter and Kipa banner stores in Turkey, shopping centers, Ramstores banner stores abroad and internet, the Company is mainly engaged in the retail sales of food and beverages, consumer and durable goods. The Company also rents floor space in the shopping malls to other trading companies. As of 30 June 2017, the Group operates in 1.844 stores in total (31 December 2016: 1.605) which comprise 1.829 retail stores (of which 170 stores acquired by Kipa acquisition) and 15 wholesale stores with a total net space of 1.428.426 m2 (31 December 2016: 1.078.761 m2) including 1.419.340 m2 for retail and 9.086 m2 for wholesale. As of 30 June 2017, the Group employed 27.358 people (31 December 2016: 21.438) on average. Retail is the main business segment of the Group and constitutes almost 97% of gross sales (31 December 2016: 97%).

The address of the registered office is as follows:

Migros Ticaret A.Ş.
Atatürk Mah., Turgut Özal Blv.,
No: 7 Ataşehir İstanbul

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

These condensed consolidated financial statements have been approved for issue by the Board of Directors ("BOD") on 10 August 2017 and signed by Ö. Özgür Tort, General Manager, and Erkin Yılmaz, Assistant General Manager, on behalf of the BOD. The owners of the Company and regulatory bodies have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

Subsidiaries

The Company has the following subsidiaries (the "Subsidiaries"). The nature of the business of the Subsidiaries and for the purpose of the interim condensed consolidated financial statements, their respective geographical segments are as follows:

Subsidiaries	Country of incorporation	Geographical segment	Nature of business	June 2017 (%)	December 2016 (%)
Ramstore Bulgaria E.A.D. ("Ramstore Bulgaria")	Bulgaria	Bulgaria	Dormant	100,0	100,0
Ramstore Kazakhstan LLC ("Ramstore Kazakhstan")	Kazakhstan	Kazakhstan	Retailing	100,0	100,0
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Bulgaria	Retailing	99,0	99,0
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez") (*)	Turkey	Turkey	Dormant	100,0	100,0
Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi Anonim Şirketi ("Kipa")	Turkey	Turkey	Retailing	95,62	-

(*) Not included in the scope of consolidation on the grounds of materiality.

In line with its long-term growth strategy, the Group signed a share sale and purchase agreement with Tesco Overseas Investments Limited (the "Seller") on 10 June 2016 to purchase approximately 95,5% of the shares of Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi A.Ş. ("Kipa") owned by the Seller. According to the share sale and purchase agreement and the latest financial statements of Kipa released on 29 February 2016, the purchase price of the said shares was TL 302.287 as of the date of the agreement (10 June 2016). To obtain the necessary legal permit, the Group applied to the Competition Authority on 21 June 2016 and the application was approved on 9 February 2017. According to the annual closing balance sheet of Kipa dated 28 February 2017, the purchase price of the shares was TL 199.012. The Group took over the management of Kipa, whose main area of activity is retail, on 1 March 2017.

Furthermore, after the purchase of shares representing 95.50% of Kipa on 1 March 2017, a mandatory tender offer ("mandatory call") was conducted between 29 June 2017 and 26 July 2017 within the scope of the Communiqué on Takeover Bids of Capital Markets Board, No. II-26.1.. As a result of the mandatory call, the Group's shares have increased to 95.62% as of 30 June 2017. And as of 26 July 2017, the Group had 96.25% of the total shares of Kipa and TL 22.493 has been paid for the additional shares purchased, TL 10.464 of the amount has been paid by Tesco Overseas Investments.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

2.1 Basis of presentation

2.1.1 Basis of preparation and presentation of financial statements

The interim condensed consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the Communiqué) published in the Official Gazette numbered 28676 on 13 June 2013 and interim condensed consolidated financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA") according to Article 5 of the Communiqué. TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations. The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's consolidated financial statements.

The condensed consolidated financial statements are based on the statutory financial statements of the Group's subsidiaries and presented in Turkish Lira in accordance with the CMB financial reporting standards with certain adjustments and reclassifications for the purpose of fair presentation. Such adjustments are primarily related to application of consolidation accounting, accounting for deferred taxes on temporary differences, accounting for employment termination benefits on an actuarial basis and accruals for various expenses. Except for the financial assets carried from their fair values and assets and liabilities, financial statements are prepared on historical cost basis.

In accordance with the CMB's "Communiqué on Financial Reporting in Capital Market" Numbered II-14.1 (Communiqué), promulgated in the Official Gazette numbered 28676 dated June 13, 2013, effective from interim periods beginning after June 30, 2013, listed companies required to prepare their financial statements in conformity with Turkey Accounting / Financial Reporting Standards (TAS / TFRS) as prescribed in the CMB Communiqué. The financial statements and explanatory notes are presented using the compulsory standard formats as published by the Communiqué.

In the scope of the CMB's "Communiqué on Financial Reporting in Capital Market" Numbered II-14.1 (Communiqué), the Group has prepared condensed consolidated interim financial statements in accordance with TAS 34 "Interim Financial Reporting". The financial statements and explanatory notes are presented using the compulsory standard formats as published by the Communiqué.

In accordance with the TAS, the entities are allowed to prepare a complete set of interim financial statements in accordance with TAS 34, "Interim Financial Reporting". In this respect the Group has preferred to prepare condensed consolidated financial statements in the interim periods and prepared the aforementioned condensed consolidated financial statements in compliance with CMB Financial Reporting Standards.

Furthermore in accordance with the Communiqué and announcements regarding the explanations of the Communiqué, guarantee pledge, mortgage table, foreign currency position table, total export and total import amounts and hedging amount of total foreign currency liabilities are presented in the condensed consolidated financial statements disclosures (Note 11, 23).

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

2.1 Basis of presentation (Continued)

2.1.2 Changes in the accounting policies, estimates and errors

Significant changes in accounting policies and accounting errors are applied retrospectively and prior period financial statements are restated (Note 2.2). The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

The condensed consolidated interim financial statements for the period ended June 30, 2017 have been prepared in accordance with the accounting policies consistent with the accounting policies used in the preparation of annual consolidated financial statements for the year ended December 31, 2016. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

2.1.3 Functional and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TRL, which is the functional currency of Migros Ticaret A.Ş. and the reporting currency of the Group.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions),
- All resulting exchange differences are recognised in other comprehensive income.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

2.2 Comparative information and restatement of prior period financial statements

The Group's consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained.

In accordance with the systematical improvements, the Group has reviewed its prior years inventory valuation method and revaluated its inventory. Within the context of TAS 8 "Accounting Policies, Accounting Estimates and Errors", the Group has retrospectively restated its financial statements. TAS 1 (Revised) "Presentation of Financial Statements" requires when an entity makes a retrospective restatement of items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

Accordingly, the Group has comparatively presented its consolidated balance sheets with the restated comparative financial information at 31 December 2016 and 30 June 2017.

The effects of restatement on accumulated losses and net income as of 30 June 2017 is as follows:

	31 December 2015		
	Previously reported	Effect of restatement	Restated
Inventories	1.104.373	(51.693)	1.052.680
Deferred tax liabilities	(70.510)	10.339	(60.171)
Accumulated losses	(498.600)	(35.231)	(533.831)
Net loss	(370.404)	(6.123)	(376.527)

	31 December 2016		
	Previously reported	Effect of restatement	Restated
Inventories	1.272.752	(60.678)	1.212.074
Deferred tax liabilities	(65.200)	12.136	(53.064)
Accumulated losses	(803.376)	(41.354)	(844.730)
Net loss	(292.969)	(7.188)	(300.157)

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

2.3 New and Revised Turkish Accounting Standards

a) The new standards, amendments to published standards and interpretations effective applicable as of 30 June 2017:

- Amendments to IAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Annual improvements 2014–2016;
 - IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

b) The new standards, amendments and interpretations introduced to the prior Financial Statements as of 30 June 2017, however will be effective after 1 July 2017:

- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- IFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

2.3 New and Revised Turkish Accounting Standards (Continued)

b) The new standards, amendments and interpretations introduced to the prior Financial Statements as of 30 June 2017, however will be effective after 1 July 2017: (Continued)

- IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 16, 'Leases', effective from annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

2.3 New and Revised Turkish Accounting Standards (Continued)

**b) The new standards, amendments and interpretations introduced to the prior Financial
Statements as of 30 June 2017, however will be effective after 1 July 2017: (Continued)**

- Amendment to IAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- Annual improvements 2014–2016;
 - IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
 - IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple.
- IFRS 17, 'Insurance contracts', effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The effects of these standard on the financial position and performance of the Group will be evaluated by the Company management.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING

Management determines the operating segments based on the reports analyzed and found effective in strategic decision making by the Board of Directors.

Management assesses the Group's performance on a geographic level as Turkey and other countries since the gross sales of these subsidiaries are below 10% of the Group sales. Reportable operating segment revenue comprises primarily retail sales, rent income and wholesales. Rent income and wholesale revenues are not recognized as reportable segments as they are not stated in detail in the reports provided to the board of directors. The board of directors assesses the performance of the operating segments based on a measure of Earning Before Interest, Tax, Depreciation and Amortisation, "EBITDA" and Earning Before Interest, Tax, Depreciation, Amortisation and Rent, "EBITDAR". The Group calculates the EBITDA by deducting general administrative expenses and selling, marketing and distribution expenses and adding depreciation expenses, unused vacation liability paid in current period, employee termination benefit provision expense, unused vacation liability expense on gross profit amount in consolidated statements of income.

The segment information provided to the board of directors as of 30 June 2017 and 2016 is as follows:

Segment analysis for the period 1 January - 30 June 2017

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External revenues	6.842.220	194.722	7.036.942	-	7.036.942
Inter segment revenues	9.848	-	9.848	(9.848)	-
Sales revenue	6.852.068	194.722	7.046.790	(9.848)	7.036.942
Cost of sales	(5.067.665)	(147.267)	(5.214.932)	9.848	(5.205.084)
Gross profit	1.784.403	47.455	1.831.858	-	1.831.858
Selling and marketing expenses	(1.343.460)	(34.052)	(1.377.512)	-	(1.377.512)
General administrative expenses)	(269.467)	(20.164)	(289.631)	-	(289.631)
Addition: Depreciation and amortisation expenses	117.156	9.622	126.778	-	126.778
Addition: Provision for employment termination benefits	25.975	303	26.278	-	26.278
Addition: Termination benefits paid	12.150	-	12.150	-	12.150
Addition: Unused vacation provision	18.547	-	18.547	-	18.547
EBITDA	345.304	3.164	348.468	-	348.468
Addition: Rent expenses	343.103	12.238	355.341	-	355.341
EBITDAR	688.407	15.402	703.809	-	703.809

(*) Kipa EBITDA for the period 1 March - 30 June 2017 which is calculated by the same calculation method with consolidated financial statements is TL (638) and included in Turkey segment.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 January - 30 June 2016

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External revenues	4.919.066	159.979	5.079.045	-	5.079.045
Inter segment revenues	2.470	-	2.470	(2.470)	-
Sales revenue	4.921.536	159.979	5.081.515	(2.470)	5.079.045
Cost of sales	(3.593.223)	(119.301)	(3.712.524)	2.470	(3.710.054)
Gross profit	1.328.313	40.678	1.368.991	-	1.368.991
Selling and marketing expenses	(1.012.091)	(27.080)	(1.039.171)	-	(1.039.171)
General administrative expenses	(150.855)	(17.188)	(168.043)	-	(168.043)
Addition: Depreciation and amortisation expenses	87.534	8.587	96.121	-	96.121
Addition: Provision for employment termination benefits	11.340	-	11.340	-	11.340
Addition: Termination benefits paid	10.907	-	10.907	-	10.907
Addition: Unused vacation provision	15.986	-	15.986	-	15.986
EBITDA	291.134	4.997	296.131	-	296.131
Addition: Rent expenses	254.173	8.863	263.036	-	263.036
EBITDAR	545.307	13.860	559.167	-	559.167

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 April - 30 June 2017

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External revenues	3.827.543	95.764	3.923.307	-	3.923.307
Inter segment revenues	8.159	-	8.159	(8.159)	-
Sales revenue	3.835.702	95.764	3.931.466	(8.159)	3.923.307
Cost of sales	(2.844.521)	(72.416)	(2.916.937)	8.159	(2.908.778)
Gross profit	991.181	23.348	1.014.529	-	1.014.529
Selling and marketing expenses	(726.823)	(16.799)	(743.622)	-	(743.622)
General administrative expenses	(171.430)	(10.009)	(181.439)	-	(181.439)
Addition: Depreciation and amortisation expenses	63.660	4.445	68.105	-	68.105
Addition: Provision for employment termination benefits	18.085	303	18.388	-	18.388
Addition: Termination benefits paid	6.975	-	6.975	-	6.975
Addition: Unused vacation provision	9.736	-	9.736	-	9.736
EBITDA	191.384	1.288	192.672	-	192.672
Addition: Rent expenses	187.910	5.961	193.871	-	193.871
EBITDAR	379.294	7.249	386.543	-	386.543

(*) Kipa EBITDA for the period 1 April - 30 June 2017 which is calculated by the same calculation method with consolidated financial statements is TL 8.395 and included in Turkey segment.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 April - 30 June 2016

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External revenues	2.588.065	79.883	2.667.948	-	2.667.948
Inter segment revenues	834	-	834	(834)	-
Sales revenue	2.588.899	79.883	2.668.782	(834)	2.667.948
Cost of sales	(1.899.640)	(59.690)	(1.959.330)	834	(1.958.496)
Gross profit	689.259	20.193	709.452	-	709.452
Selling and marketing expenses	(524.017)	(13.811)	(537.828)	-	(537.828)
General administrative expenses	(76.521)	(8.870)	(85.391)	-	(85.391)
Addition: Depreciation and amortisation expenses	42.829	4.383	47.212	-	47.212
Addition: Provision for employment termination benefits	4.401	-	4.401	-	4.401
Addition: Termination benefits paid	5.614	-	5.614	-	5.614
Addition: Unused vacation provision	5.140	-	5.140	-	5.140
EBITDA	146.705	1.895	148.600	-	148.600
Addition: Rent expenses	131.119	4.445	135.564	-	135.564
EBITDAR	277.824	6.340	284.164	-	284.164

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

A reconciliation of EBITDAR figure to income before tax is provided as follows:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
EBITDAR reported segments	703.809	386.543	559.167	284.164
Rent expenses	(355.341)	(193.871)	(263.036)	(135.564)
EBITDA reported segments	348.468	192.672	296.131	148.600
Depreciation and amortisation	(126.778)	(68.105)	(96.121)	(47.212)
Provision for employment termination benefits	(26.278)	(18.388)	(11.340)	(4.401)
Termination benefits paid	(12.150)	(6.975)	(10.907)	(5.140)
Unused vacation liability	(18.547)	(9.736)	(15.986)	(5.614)
Other operating income	58.408	35.217	33.179	16.871
Other operating expense (-)	(170.347)	(103.074)	(103.361)	(56.828)
Operating profit	52.776	21.611	91.595	46.276
Income from investing activities	1.071.105	1.531	543	83
Expense from investing activities (-)	(5.907)	(4.330)	(36.589)	(35.205)
Operating profit before finance income	1.117.974	18.812	55.549	11.154
Financial income	27.041	10.345	13.577	5.300
Financial expense (-)	(347.222)	(145.258)	(125.374)	(52.532)
Income/(loss) before tax	797.793	(116.101)	(56.248)	(36.078)

NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS

Short term derivative instruments	30 June 2017	31 December 2016
Cap option	3	-
Currency option	-	602
	3	602

Long term derivative instruments

	30 June 2017	31 December 2016
Cap option	164	18
	164	18

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The Group entered number of cap and interest rate swap contracts with banks in order to hedge its interest rate risk. The fair values of contracts and details as of 30 June 2017 and 31 December 2016 are as follows:

30 June 2017

	Agreement type	Transaction date	Effective date	Expiration date	Derivative instrument amount (EUR)	Fair value (TRL)
Current assets	Interest cap	23 July 2015	24 Nov 2015	29 May 2018	281,3 million	3
	Interest cap	23 July 2015	24 Nov 2015	29 May 2018	35,2 million	-
	Interest cap	27 July 2015	26 Nov 2015	28 May 2018	35,2 million	-
Non current assets	Interest cap	1 June 2017	3 June 2017	28 May 2019	313,5 million	164

31 December 2016:

	Agreement type	Transaction date	Effective date	Expiration date	Derivative instrument amount (EUR)	Fair value (TRL)
Current assets	Foreign currency option	22 June 2016	24 June 2016	31 May 2017	2,5 million	118
	Foreign currency option	22 June 2016	24 June 2016	31 May 2017	2,5 million	441
	Foreign currency option	22 June 2016	24 June 2016	31 May 2017	1 million	43
Non-current assets	Interest cap	23 July 2015	26 Nov 2015	28 May 2018	35,2 million	3
	Interest cap	23 July 2015	24 Nov 2015	29 May 2018	281,3 million	14
	Interest cap	27 July 2015	24 Nov 2015	29 May 2018	35,2 million	1

NOTE 5 - INVESTMENT PROPERTY

	1 January 2017	Additions	Transfers	Cumulative translation differences	30 June 2017
Cost					
Land and buildings	208.120	18.514	97	5.244	231.975
Accumulated depreciation					
Buildings	(63.401)	(2.375)	-	(517)	(66.293)
Net book value	144.719				165.682

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 5 - INVESTMENT PROPERTY (Continued)

	1 January 2016	Additions	Impairment loss (*)	Cumulative translation differences	30 June 2016
Cost					
Land and buildings	193.943	3.168	-	(2.310)	194.801
Accumulated depreciation					
Buildings	(47.538)	(2.375)	(8.136)	2.432	(55.617)
Net book value	146.405				139.184

(*) The Group has performed impairment analysis for its investment properties and concluded that carrying amount of investment properties exceed its net recoverable amount by TRL 8.136. As a result, provision for impairment has been accounted for under expenses from investment activities (Note 16).

Depreciation expenses of the period have accounted for under general administrative expenses.

Investment properties of the Group consist of leased space to other retailers in Ankamall Shopping Mall in Turkey, Samal Shopping Mall in Kazakhstan and Skopje Shopping Mall in Macedonia. As of June 30, 2017, the average leased space in Turkey and Macedonia are 6.741 m2 and 9.670 m2, respectively and there is no leased space in Kazakhstan due to the renovations in Ramstore Samal Shopping Center (31 December 2016: Turkey: 6.741 m2, Kazakhstan 2.857 m2, Macedonia 9.364 m2).

Fair values of the investment properties in Turkey, Kazakhstan and Macedonia are TRL 61.850, TRL 38.319 and TRL 102.540, respectively. The mentioned fair value of Turkey is determined according to the real estate valuation report of Ekol Gayrimenkul Değerleme ve Danışmanlık A.Ş (dated March 2015) in accordance with the "direct capitalization method". The mentioned fair values of Kazakhstan and Macedonia are determined according to the real estate valuation report of TSKB Gayrimenkul Değerleme A.Ş (dated December 2015) in accordance with the "discounted cash flow" method (31 December 2016: Turkey: TRL 61.850, Kazakhstan: TRL 38.319 and Macedonia: TRL 102.540).

The total fair value of the investment properties is TRL 202.709 and it is TRL 37.027 higher than the carrying net book value in the interim condensed consolidated financial statements as of 30 June 2017.

There is no mortgage or pledge on the investment properties of the Group as of 30 June 2017.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipments period ended at 30 June 2017 is as follows;

	1 January 2017	Additions for acquisition of subsidiary	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	30 June 2017
Cost								
Land and buildings	389.847	1.730.068	3.201	-	(2.178)	2.185	3.124	2.126.247
Leasehold improvements	573.618	164.133	15.033	(576)	(22.941)	11.615	757	741.639
Machinery and equipments	715.722	182.953	25.291	(9.095)	(467)	19.877	1.359	935.640
Motor vehicles	2.600	7.896	825	(1.646)	-	-	103	9.778
Furniture and fixtures	360.645	301.754	15.636	(2.028)	-	5.334	2.176	683.517
Construction in progress	27.418	2.101	57.107	-	-	(45.177)	322	41.771
	2.069.850	2.388.905	117.093	(13.345)	(25.586)	(6.166)	7.841	4.538.592
Accumulated depreciation								
Buildings	(97.971)	(143.570)	(10.360)	-	2.111	-	(1.103)	(250.893)
Leasehold improvementsc	(254.984)	(58.042)	(29.316)	327	17.965	-	(308)	(324.358)
Machinery and equipments	(292.767)	(161.349)	(41.598)	5.413	467	(56)	(1.028)	(490.918)
Motor vehicles	(954)	(6.053)	(327)	1.024	-	-	(35)	(6.345)
Furniture and fixture	(154.841)	(220.410)	(22.973)	1.655	-	(46)	(1.217)	(397.832)
	(801.517)	(589.424)	(104.574)	8.419	20.543	(102)	(3.691)	(1.470.346)
Net book value	1.268.333							3.068.246

(*) Impairment loss amounting to TL 5.043 consists of leasehold improvements of the stores closed in 2017 (Note:16).

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement of property, plant and equipments period ended at 30 June 2016 is as follows;

	1 January 2016	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	30 June 2016
Cost							
Land and buildings	382.910	6.060	-	-	3.023	106	392.099
Leasehold improvements	516.389	18.028	-	(9.723)	13.146	2	537.842
Machinery and equipments	617.634	27.062	(12.514)	-	20.737	(33)	652.886
Motor vehicles	2.173	424	(462)	-	277	1	2.413
Furniture and fixtures	317.621	11.429	(2.401)	-	5.482	121	332.252
Construction in progress	22.579	62.709	-	-	(50.640)	(311)	34.337
	1.859.306	125.712	(15.377)	(9.723)	(7.975)	(114)	1.951.829
Accumulated depreciation							
Buildings	(68.658)	(2.812)	-	(24.608)	-	22	(96.056)
Leasehold improvements	(207.794)	(28.080)	-	7.710	-	(20)	(228.184)
Machinery and equipments	(234.987)	(35.547)	10.915	-	-	(82)	(259.701)
Motor vehicles	(1.158)	(156)	380	-	-	(5)	(939)
Furniture and fixture	(126.086)	(14.866)	1.888	-	-	(117)	(139.181)
	(638.683)	(81.461)	13.183	(16.898)	-	(202)	(724.061)
Net book value	1.220.623						1.227.768

(*) The Group has performed impairment analysis for its property, plant and equipment and concluded that carrying amount of investment properties exceed its net recoverable amount by TRL 24.608. As a result, provision for impairment has been accounted for under expenses from investment activities. Furthermore impairment loss amounting to TRL 2.013 consists of leasehold improvements of the stores closed in 2016 (Note 16).

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 7 - INTANGIBLE ASSETS

Movement of intangible assets period ended at 30 June 2017 and 2016 is as follows;

	1 January 2017	Additions for acquisition of subsidiary	Additions	Disposals	Transfers	Cumulative translation differences	30 June 2017
Cost							
Trademark (*)	2.787	14.442	-	-	-	-	17.229
Rent agreements (**)	32.982	6.149	-	-	-	-	39.131
Rights	155.890	92.698	17.359	(1.291)	6.230	186	271.072
Other intangible assets (***)	91.649	-	1.290	-	-	-	92.939
	283.308	113.289	18.649	(1.291)	6.230	186	420.371
Accumulated amortisation							
Rent agreements (**)	(31.106)	-	(318)	-	-	-	(31.424)
Rights	(83.007)	(72.741)	(13.479)	1.291	(59)	(131)	(168.126)
Other intangible assets (***)	(62.157)	-	(6.032)	-	-	-	(68.189)
	(176.270)	(72.741)	(19.829)	1.291	(59)	(131)	(267.739)
Net book value	107.038						152.632

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 7 - INTANGIBLE ASSETS (Continued)

	1 January 2016	Additions	Transfers	Cumulative translation differences	30 June 2016
Cost					
Rent agreements (**)	32.982	-	-	-	32.982
Rights	109.205	11.880	7.975	(9)	129.051
Other intangible assets (***)	87.214	2.307	-	-	89.521
	229.401	14.187	7.975	(9)	251.554
Accumulated amortisation					
Rent agreements (**)	(30.147)	(480)	-	-	(30.627)
Rights	(54.471)	(10.868)	-	(71)	(65.410)
Other intangible assets (***)	(60.094)	(937)	-	-	(61.031)
	(144.712)	(12.285)	-	(71)	(157.068)
Net book value	84.689				94.486

Amortisation expenses related to intangible assets have been accounted under general administrative expenses.

- (*) TFRS 3, "Business Combinations", requires the acquirer at the acquisition date to allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values as at that date.

The Group determined the value of Kipa Brand which is identified as intangible asset by using "Relief from Royalties" method as of March 1, 2017, which is acquisition date and accounted as intangible asset amounting to TL 14.442 in the interim condensed consolidated financial statements. Since the brand value is not predictable and has a certain life expectancy and the cost to be related to the profit or loss table is estimated every year for the protection of its value, it is considered as an intangible asset whose useful life is unlimited and amortization account is not applied for this asset. As stated in accounting policies, for the intangible assets whose useful life is determined to be unlimited, the impairment test is performed every year.

In order to strengthen its Macrocenter infrastructure and operational experience with its online sales channel, Group purchased the intangible assets of Tazedirekt A.Ş. ("Tazedirekt"), which operates in the field of online food retailing, on 22 November 2016. The brand acquired is recognized as an identifiable asset amounting to TL 2.787 at its fair value has been accounted as intangible asset in the consolidated financial statements. The brand value has been assessed as an intangible asset with an indefinite useful life and not subject to amortization since the brand value is not predictable and has a predictable life and cost to be associated with the profit or loss table annually. In addition, the Group has accounted for software acquired at fair value of TL 3.082 determined by using the cost approach as of purchase date, which is acquired through this purchase, in intangible assets.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 7 - INTANGIBLE ASSETS (Continued)

(**) The Group determined the value of the benefit derived from the lease contracts of MMM, Maxi and Kipa stores, which were designated as intangible assets, at an amount of TRL 39.131 and was accounted for under the intangible assets in the consolidated financial statements. Lease contracts are recorded at their fair values at the date of purchase, and amortised during the contract period.

(***) On 24 July 2008 the Group purchased all of the furniture and fixtures of local retail chain Maxi Market's Silivri, Tekirdag and Çengelköy stores, with a total sales area of 13.000 m2, from Hamoglu Yönetim Organizasyonu Personel Taşımacılık ve Yemek Üretim Hizmetleri İşletmecilik A.Ş. and also took over the rent agreements of the mentioned stores. The purchase cost in the amount of TRL 10.297 which exceeds the fair value of the purchased furniture and fixtures has been accounted for as an intangible asset and has been amortised over the rent agreement period

On 10 March 2009, the Group purchased all of the furniture and fixtures of 7 stores belonging to Mak Gıda Pazarlama San. ve Tic. A.Ş., ("Mak Gıda") a local retail chain operating in Gaziantep region, with a total sales area of 9.592 m2 and on 12 February 2009 the Group purchased all of the furniture and fixtures of 21 stores belonging to Yonca Marketçilik ve İnş. Hiz. San. ve Tic. A.Ş. ("Yonca"), a local retail chain mainly operating in Adana region, with a total sales area of 17.480 square meters and also took over the rent agreements of the mentioned stores. The excess amount of the consideration given over the fair value of acquired assets in the total amount of TRL 18.486, TRL 601 for the Mak Gıda and TRL 17.885 for Yonca, respectively- was accounted for under other intangible assets and has been amortised over the rent agreement period.

The evacuation cost paid by the Group to the real estate owners or previous renters relating to rented stores are presented under "other intangible assets". Related amortization expenses are recognised under the "general administrative expenses" in the statements of income.

NOTE 8 - INVENTORIES

	30 June 2017	31 December 2016	31 December 2015
Raw materials	9.217	7.276	7.191
Work in progress	17.502	8.762	5.244
Merchandise stocks	1.784.425	1.211.036	1.054.491
Other	1.590	1.207	1.325
Less: Provision for net realizable value	(46.774)	(16.207)	(15.571)
	1.765.960	1.212.074	1.052.680

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 9 - GOODWILL AND BUSINESS COMBINATIONS

	1 January - 30 June 2017	1 January - 31 December 2016
Opening balance	2.252.992	2.251.427
Increase in current period	-	1.565
Closing balance	2.252.992	2.252.992

In line with the Group's long-term growth strategies, Tesco Overseas Investments Limited ("Seller"), Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi A.Ş. ("Kipa") entered into a share purchase and sale agreement on 10 June 2016 with the aim of purchasing shares representing approximately 95,50% of the total capital of the Company belonging to the Seller. According to the share purchase agreement and Kipa's latest financial statements dated February 29, 2016, the purchase price of these shares was calculated as TL 302.287 as of the date of the purchase agreement (June 10, 2016). In this context, an application was filed with the Competition Authority as of 21 June 2016 and the application was approved on February 9, 2017. The purchase price of the shares was determined as 199.012 TL in accordance with the estimated annual closing balance of Kipa on 28 February 2017. The Group has recognized a non-controlling interest of TL 58.239 over the proportional share of Kipa's non-controlling share of net identifiable assets. The Group took over Kipa's management as of 1 March 2017. Acquired operation provided net sales amounting to TL 789.798 and net loss of TL 63.842 from 1 March 2017 to 30 June 2017. The principal activity of the acquired entity is retail trade.

Furthermore, after the purchase of shares representing 95.50% of Kipa on 1 March 2017, a mandatory tender offer ("mandatory call") was conducted between 9 June 2017 and 26 July 2017 within the scope of the Communiqué on Takeover Bids of Capital Markets Board, No. II-26.1.. As a result of the mandatory call, the Group's shares have increased to 95.62% as of 30 June 2017. And as of 26 July 2017, the Group has 96.25% of the total shares of Kipa and TL 22.493 has been paid for the additional shares purchased, TL 10.464 of the amount has been paid by Tesco Overseas Investments.

The acquisition of Kipa has been accounted for in accordance with TFRS 3 - 'Business Combinations'. The fair value of identifiable assets and liabilities acquired within the context of the said business combination as of 30 June 2017 has been stated as a draft and these items were reported at their provisional value in summary consolidated financial statements. The period determined to carry out additions and adjustments concerning the fair value of the assets, liabilities and contingent liabilities is 12 months from the date of purchase.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 9 - GOODWILL AND BUSINESS COMBINATIONS (Continued)

	1 March 2017
	Hardclose Kipa Fair Value
ASSETS	
Cash and cash equivalents	49.166
Trade receivables	10.691
Other receivables and assets	32.854
Inventories	207.716
Total current assets	300.427
Property, plant and equipment and intangible assets	1.840.029
Other non-current assets	15.436
Total non-current assets	1.855.465
Total assets	2.155.892
LIABILITIES	
Short term borrowings	329.631
Trade payables	329.012
Other current payables and liabilities	97.005
Total current liabilities	755.648
Other long term provisions	20.915
Deferred tax liabilities	51.025
Non-current liabilities	71.940
Total liabilities	827.588
Total assets, net	1.328.304
Acquisition cost	200.201
Minority shares	58.239
Negative goodwill	1.069.864

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 10 - FINANCIAL LIABILITIES

	30 June 2017			Total TRL equivalent
	Effective interest rate	Tenge	Euro	
Short term borrowings				
With fixed interest rate - TRL	%16,21	-	-	531.249
Total short term borrowings				531.249
Current portion of long term borrowings				
With floating interest rate - EUR	%5,25	-	79.940	320.002
With fixed interest rate - TRL	%13,93	-	-	50.258
With fixed interest rate - Tenge	%15,00	31.088	-	339
Total current portion of long term borrowings		31.088	79.940	370.599
Total current bank borrowings				901.848
Non-current bank borrowings				
With floating interest rate - EUR	%5,25	-	612.285	2.450.979
With fixed interest rate - TRL	%13,93	-	-	223.655
With fixed interest rate - Tenge	%15,00	2.050.000	-	22.365
Total non-current bank borrowings		2.050.000	612.285	2.696.999
Total financial liabilities				3.598.847

The redemption schedule of bank borrowings with effective interest rate at 30 June 2017 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL Loan	Total (TRL equivalent)
1 July 2017 - 31 June 2018	339	320.002	581.507	901.848
1 July 2018 - 31 June 2019	3.195	399.782	50.719	453.696
1 July 2019 - 31 June 2020	4.260	470.274	49.809	524.343
1 July 2020 - 31 June 2021	4.260	485.015	44.262	533.537
1 July 2021 - 31 June 2022	4.260	521.554	40.688	566.502
1 July 2022 - 31 June 2023	4.260	574.354	38.177	616.791
1 July 2023 - 24 October 2023	2.130	-	-	2.130
	22.704	2.770.981	805.162	3.598.847

The fair value of bank borrowings at 30 June 2017 is TL 3.621.085.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 10 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of principal amounts of bank borrowings at 30 June 2017 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL Loan	Total (TRL equivalent)
1 July 2017 - 31 June 2018	-	192.539	543.163	735.702
1 July 2018 - 31 June 2019	3.195	309.398	30.355	342.948
1 July 2019 - 31 June 2020	4.260	429.734	42.161	476.155
1 July 2020 - 31 June 2021	4.260	498.493	48.906	551.659
1 July 2021 - 31 June 2022	4.260	601.617	59.024	664.901
1 July 2022 - 31 June 2023	4.260	739.135	72.515	815.910
1 July 2023 - 24 October 2023	2.130		-	2.130
	22.365	2.770.916	796.124	3.589.405

For the refinancing of the Company's debt of EUR 830 million, an agreement has been signed on 30 April 2015 between Migros Ticaret A.Ş. and Türkiye Garanti Bankası A.Ş., Türkiye İş Bankası A.Ş., Akbank T.A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. and Commercial Bank of Qatar (Q.S.C) for EUR 730 million and EUR 100 million equivalent of TRL with a maturity of 8 years and semi-annual interest payment and amortization. The Group obtained short term loan amounting to TRL 140.000 with 14,8% interest rate from Türkiye Garanti Bankası A.Ş., Türkiye İş Bankası A.Ş. ve Akbank T.A.Ş. on 22 February 2017 by drawing down on the existing lines in the facility agreement dated 30 April 2015.

With respect to long term bank loans, all Migros Ticaret A.Ş. shares owned by MH Perakendecilik ve Ticaret A.Ş., Moonlight Capital S.A. and Kenan Investments S.A. were provided as collateral to the financial institutions as from the grant date of the loan. As of 30 June 2017, shares of Migros Ticaret A.Ş. which represents 80,51% of shares and amounting to TRL 143.323.336 nominal value (14.332.333.600 shares) owned by MH Perakendecilik ve Ticaret A.Ş., Moonlight Capital S.A. and Kenan Investments S.A. were pledged (31 December 2016: 14.332.333.600 shares representing 80,51%).

The Group has obligation to meet various financial covenants according to loan agreement related to bank borrowings. As of 30 June 2017 the Group has met defined financial covenants requirements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 10 - FINANCIAL LIABILITIES (Continued)

	31 December 2016		
	Effective interest rate	Original currency	Total TRL equivalent
Short term borrowings			
With fixed interest rate - TRL	14,34%	102.012	102.012
Total short term borrowings			102.012
Current portion of long term borrowings			
With floating interest rate - EUR	5,25%	53.336	197.873
With fixed interest rate - TRL	13,93%	40.312	40.312
With fixed interest rate - EUR	15,00%	31.086	328
Total current portion of long term bank borrowings			238.513
Total short term bank borrowings			340.525
Non-current bank borrowings			
With floating interest rate - EUR	5,25%	638.317	2.368.091
With fixed interest rate - TRL	13,93%	233.274	233.274
With fixed interest rate - Tenge	15,00%	2.050.000	21.646
Total non-current bank borrowings			2.623.011
Total financial liabilities			2.963.536

The redemption schedule of bank borrowings with effective interest rate at 31 December 2016 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL Loan	Total (TRL equivalent)
1 January 2017 - 31 December 2017	328	197.873	142.324	340.525
1 January 2018 - 31 December 2018	1.031	323.296	47.173	371.500
1 January 2019 - 31 December 2019	4.123	401.754	47.966	453.843
1 January 2020 - 31 December 2020	4.123	432.475	44.135	480.733
1 January 2021 - 31 December 2021	4.123	455.609	39.843	499.575
1 January 2022 - 31 December 2022	4.123	484.381	36.231	524.735
1 January 2023 - 24 October 2023	4.123	270.576	17.926	292.625
	21.974	2.565.964	375.598	2.963.536

The fair value of bank borrowings at 31 December 2016 is TRL 2.987.487.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 10 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of principal amounts of bank borrowings at 31 December 2016 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL Loan	Total (TRL equivalent)
1 January 2017 - 31 December 2017	-	76.479	108.096	184.575
1 January 2018 - 31 December 2018	1.031	229.411	24.285	254.727
1 January 2019 - 31 December 2019	4.123	350.468	37.100	391.691
1 January 2020 - 31 December 2020	4.123	430.117	45.532	479.772
1 January 2021 - 31 December 2021	4.123	509.793	53.967	567.883
1 January 2022 - 31 December 2022	4.123	605.367	64.084	673.574
1 January 2023 - 24 October 2023	4.123	366.394	38.786	409.303
	21.646	2.568.029	371.850	2.961.525

For the refinancing of the Company's debt of EUR 830 million, an agreement has been signed on 30 April 2015 between Migros Ticaret A.Ş. and Türkiye Garanti Bankası A.Ş., Türkiye İş Bankası A.Ş., Akbank T.A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. and Commercial Bank of Qatar (Q.S.C) for EUR 730 million and EUR 100 million equivalent of TRL with a maturity of 9 years and semi-annual interest payment and amortization.

With respect to long term bank loans, all Migros Ticaret A.Ş. shares owned by MH Perakendecilik ve Ticaret A.Ş., Moonlight Capital S.A. and Kenan Investments S.A. were provided as collateral to the financial institutions as from the grant date of the loan. As of 31 December 2016, shares of Migros Ticaret A.Ş. which represents 80,51% of shares and amounting to TRL 143.323.336 (Express in Turkish Lira) nominal value (14.332.333.600 shares) owned by MH Perakendecilik ve Ticaret A.Ş., Moonlight Capital S.A. and Kenan Investments S.A. were pledged (31 December 2015: 14.332.333.600 shares representing 80,51%).

The Group has obligation to meet various financial covenants according to loan agreement related to bank borrowings. As of 31 December 2016 the Group has met defined financial covenants requirements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 11 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions	30 June 2017	31 December 2016
Provision for litigation	72.946	27.105
Other	4.482	567
	77.428	27.672

There are various lawsuits filed against or in favour of the Group. Receivables, rent or labour disputes constitute the majority of these lawsuits. The Group management estimates the outcomes of these lawsuits and estimates their financial impact according to which the necessary provisions are accounted.

Movement of provision for lawsuits is as follows:

1 January 2016	30.172
Increase during period	5.232
Payments during period	(6.540)
30 June 2016	28.864
1 January 2017	27.105
Increase during period	9.333
Increase related acquisition of subsidiary	45.726
Payments during period	(9.218)
30 June 2017	72.946

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

**NOTE 11 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES
(Continued)**

Collaterals, Pledges, Mortgages

30 June 2017:

	Total TRL amount	TRL	USD	Euro
A. CPM given on behalf of the Company's legal personality	216.160	207.232	2.546	-
B. CPM given on behalf of fully consolidated subsidiaries	142.365	120.000	6.377	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM				
i. Total amount of CPM given behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given behalf of third parties which are not in scope of C	-	-	-	-
Total collaterals, pledges and mortgages	358.525	327.232	8.923	-
Proportion of the other CPM's to equity	0,0	-	-	-

31 December 2016:

	Total TRL amount	TRL	USD	Euro
A. CPM given on behalf of the Company's legal personality	86.092	84.378	487	-
B. CPM given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM	-	-	-	-
Total amount of CPM given behalf of the majority shareholder	-	-	-	-
Total amount of CPM given behalf of other group companies which are not in scope of B and C	-	-	-	-
Total amount of CPM given behalf of third parties which are not in scope of C	-	-	-	-
Total collaterals, pledges and mortgages	86.092	84.378	487	-
Proportion of the other CPM's to equity (%)	0,0	-	-	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

**NOTE 11 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES
(Continued)**

Contingent assets and liabilities

Guarantees given at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Letter of guarantees given	358.525	86.092
	358.525	86.092

Guarantees received at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Guarantees obtained from customers	125.344	88.356
Mortgages obtained from customers	16.730	26.825
	142.074	115.181

The future aggregate minimum lease payments under non-cancellable operating leases of land and stores are as follows. Amounts are expressed in the total amount to be paid by the end of the lease term although the time periods specified in the contracts in line with the vast majority of our stores early release have a right to give notice of the condition.

	30 June 2017	31 December 2016
Payable within 1 year	56.946	40.843
Payable in 1 to 5 years	5.761	10.017
	62.707	50.860

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS

	30 June 2017	31 December 2016
Provision for employee termination benefits	123.920	79.057
Provision for unused vacation	114.509	93.105
	238.429	172.162

Movement of unused vacation provision is as follows:

1 January 2016	75.970
Increase during year	19.856
Payments during period	(3.870)
30 June 2016	91.956
1 January 2017	93.105
Increase during year	22.381
Payments during period	(3.834)
Increase related acquisition of subsidiary	2.857
30 June 2017	114.509

Movements in the provision for employee termination benefits are as follows:

1 January 2016	64.283
Increase during period	22.247
Payments during period	(10.907)
Actuarial loss	350
30 June 2016	75.973
1 January 2017	79.057
Increase during period	38.428
Payments during period	(12.150)
Actuarial gain	(829)
Increase related acquisition of subsidiary	19.414
30 June 2017	123.920

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS (Continued)

Provision for employee termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who reaches the retirement age, whose employment is terminated without due cause, is enlisted for military service or passed away. The termination benefit to be paid is one month wage per a service year up to the maximum employment termination benefit limit.

In the condensed consolidated financial statements as of 30 June 2017 and consolidated financial statements as of 31 December 2016, the Group reflected a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 4,732,48 effective from 1 July 2017 has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

NOTE 13 - REVENUE

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Domestic sales	6.994.388	3.918.117	5.049.407	2.659.055
Foreign sales	193.845	95.187	159.456	79.623
Other sales	11.194	5.803	6.162	3.512
Gross sales	7.199.427	4.019.107	5.215.025	2.742.190
Discounts and returns (-)	(162.485)	(95.800)	(135.980)	(74.242)
Sales revenue, net	7.036.942	3.923.307	5.079.045	2.667.948
Cost of sales	(5.205.084)	(2.908.778)	(3.710.054)	(1.958.496)
Gross profit	1.831.858	1.014.529	1.368.991	709.452

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 13 – REVENUE (Continued)

Details of domestic and foreign sales before other sales, discounts and returns are as follows:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Retail sales revenue	6.960.406	3.894.079	5.016.653	2.627.343
Wholesale revenue	181.921	102.330	150.301	90.444
Rent income	45.906	16.895	41.909	20.891
	7.188.233	4.013.304	5.208.863	2.738.678

NOTE 14 - EXPENSE BY NATURE

Total	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Staff costs	736.601	416.744	521.286	268.675
Rent	355.341	193.871	263.036	135.564
Depreciation and amortisation	126.778	68.105	96.121	47.212
Energy	89.620	52.906	62.676	32.151
Transportation	58.219	26.532	44.102	24.574
Porterage and cleaning	51.196	29.621	37.300	20.262
Advertising	49.298	27.537	35.612	15.897
Warehouse	39.992	20.266	32.948	16.949
Repair and maintenance	34.478	23.552	19.927	10.947
Mechanisation	17.785	6.646	14.755	8.150
Security	15.567	7.184	12.899	6.549
Taxes and other fees	10.176	6.376	8.000	4.319
Communication	6.223	3.079	5.093	2.560
Other	75.869	42.642	53.459	29.410
	1.667.143	925.061	1.207.214	623.219

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 14 - EXPENSE BY NATURE (Continued)

Marketing expenses	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Staff costs	597.217	314.616	464.905	238.722
Rent	354.192	192.899	262.723	135.408
Energy	88.991	52.687	62.053	31.831
Transportation	58.219	26.532	44.102	24.574
Porterage and cleaning	49.874	28.973	36.152	19.684
Advertising	49.099	27.400	35.505	15.843
Warehouse	39.992	20.266	32.948	16.949
Repair and maintenance	33.996	23.222	19.638	10.794
Mechanisation	15.864	8.060	13.063	7.232
Security	14.833	6.869	12.396	6.296
Taxes and other fees	7.473	3.910	7.177	3.891
Communication	5.196	2.453	4.389	2.191
Other	62.566	35.735	44.120	24.413
	1.377.512	743.622	1.039.171	537.828
General administrative expenses	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Staff costs	139.384	102.128	56.381	29.953
Depreciation and amortisation	126.778	68.105	96.121	47.212
Other	23.469	11.206	15.541	8.226
	289.631	181.439	168.043	85.391

Expenses by nature in cost of sales for the periods 1 January - 30 June 2017 and 2016 are as follows:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Cost of goods sold	5.186.156	2.898.219	3.694.229	1.950.739
Cost of service rendered	18.928	10.559	15.825	7.757
	5.205.084	2.908.778	3.710.054	1.958.496

Cost of trade goods include discounts, incentives and volume rebates obtained from suppliers. Service costs are formed of energy, advertising, cleaning, security and administrative expenses incurred in the Group's shopping malls.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 15 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Interest income on term sales	28.251	15.073	20.138	10.213
Interest income from operating activities	16.904	9.118	9.513	4.593
Gain on sale of scrap goods	805	384	-	-
Other	12.448	10.642	3.528	2.065
	58.408	35.217	33.179	16.871
Other operating expenses	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Interest expense on term purchases	131.530	75.158	88.228	46.322
Litigation provision	10.254	9.229	5.232	2.445
Bad debt provision expense	2.074	618	426	318
Other	26.489	18.069	9.475	7.743
	170.347	103.074	103.361	56.828

NOTE 16 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Subsidiary acquisition profit (Note 9)	1.069.864	345	-	-
Gain on sale of property, plant and equipment	1.241	1.186	543	83
	1.071.105	1.531	543	83
Expense from investing activities	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Losses from leasehold improvements of closed stores (Note 6)	5.043	3.752	2.013	1.387
Loss on sale of property, plant and equipment	864	578	1.832	1.074
Losses from impairment provision investment properties and property, plant and equipment	-	-	32.744	32.744
	5.907	4.330	36.589	35.205

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 17 - FINANCIAL INCOME

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange gains	23.812	8.616	11.022	3.956
Interest income on bank deposits	3.065	1.565	2.074	863
Financial income on derivatives	164	164	481	481
	27.041	10.345	13.577	5.300

NOTE 18 - FINANCIAL EXPENSES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange losses	206.769	65.983	30.174	2.091
Interest expense on bank borrowings	122.770	68.160	80.695	41.093
Financial expense on derivatives	839	519	713	444
Other	16.844	10.596	13.792	8.904
	347.222	145.258	125.374	52.532

NOTE 19 - TAX ASSETS AND LIABILITIES

	30 June 2017	31 December 2016
Taxes and fund payable	13.102	72.355
Less: Prepaid current income taxes	(5.024)	(52.403)
Taxes on income	8.078	19.952

	30 June 2017	31 December 2016	31 December 2015
Deferred tax assets	84.630	63.324	54.293
Deferred tax liabilities	(187.894)	(116.388)	(114.464)
Deferred tax liabilities, net	(103.264)	(53.064)	(60.171)

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated change based on the Group results for the period. Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these interim condensed consolidated financial statements, have been calculated on a separate-entity basis.

In Turkey, corporation tax rate as of 30 June 2017 is 20% (2016: 20%).

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

Implied corporation tax rates in Kazakhstan, Bulgaria and Macedonia are 20%, 10% and 10% respectively (31 December 2016: 20%, 10% and 10% respectively).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2017. Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the prior years profit retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

The details of taxation on income for the periods ended 30 June 2017 and 2016 are as follows:

	1 January - 30 June 2017	1 January - 30 June 2016
Current period tax expense	(12.028)	(20.937)
Deferred tax income	847	15.154
	(11.181)	(5.783)

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is applied as 10% from 24 April 2003 until 22 July 2006. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, investments without investment incentive certificates do not qualify for tax allowance.

Deferred income tax

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TFRS and its statutory tax financial statements. Temporary differences generally arise due to the recording of incomes and expenses in different reporting periods according to Tax Laws and TAS. As of 30 June 2017 deferred income taxes will be calculated on temporary differences that are expected to be realized or settled based on the taxable income in the coming years under the liability method using a principal tax rate of 20%, 20%, 10% and 10% for Turkey, Kazakhstan, Bulgaria and Macedonia, respectively (31 December 2016: 20%, 20%, 10% and 10% respectively).

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided as of 30 June 2017 and 31 December 2016 and 31 December 2015 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences			Deferred tax assets/(liabilities)		
	30 June 2017	31 December 2016	31 December 2015	30 June 2017	31 December 2016	31 December 2015
Deferred tax assets:						
Short term provisions	191.147	131.094	106.142	38.229	26.219	21.228
Inventories	58.853	103.046	94.919	11.771	20.610	18.984
Provision for employee termination benefits	123.920	79.057	64.283	24.754	15.811	12.857
Unincurred interest income	501	226	237	100	45	47
Other	48.729	3.194	5.886	9.776	639	1.177
	423.150	316.617	271.467	84.630	63.324	54.293
Deferred tax liabilities:						
Fair value change of derivative financial instruments	167	620	422	(33)	(124)	(84)
Property, plant and equipment, intangible assets and investment properties	1.488.685	580.921	578.929	(177.167)	(108.959)	(108.762)
Unincurred interest expense	36.031	27.415	24.345	(7.206)	(5.483)	(4.869)
Other	17.436	9.108	3.745	(3.488)	(1.822)	(749)
	(1.542.319)	(618.064)	(607.441)	(187.894)	(116.388)	(114.464)
Total deferred tax liability, net				(103.264)	(53.064)	(60.171)

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

1 January 2016	(60.171)
Deferred tax income from continuing operations	2.583
Cumulative translation difference	73
30 June 2016	(57.515)
1 January 2017	(53.064)
Deferred tax expense from continuing operations	847
Cumulative translation difference	(22)
Subsidiary acquired from acquisition	(51.025)
30 June 2017	(103.264)

Carry forward tax losses:

Deferred income tax assets are recognized for tax losses carried forward to extent that the realization of the related tax benefit through the future taxable profits is probable.

The maturity of carry forward tax losses of Kipa, which deferred tax asset is not recognized are as follows;

	2017
28 February 2018	58.474
28 February 2019	134.112
28 February 2020	57.898
28 February 2021	293.103
28 February 2022	197.937
	741.524

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company's authorised and issued capital consists of 17.803.000.000 shares at 1 shares of Kr1 nominal value as of 30 June 2017 (31 December 2016: 17.803.000.000 shares). All shares are paid-in and no privileges are given to different share groups and shareholders. MH Perakendecilik ve Ticaret A.Ş ("MH") transferred its Migros Ticaret A.Ş. shares with the nominal value of 27.371.000 TL to its parent company, Moonlight Capital SA., in exchange for 26 TL per share on 13 November 2014. MH Perakendecilik ve Ticaret A.Ş ("MH") transferred its Migros Ticaret A.Ş shares with the nominal value of 26.937.336 TL to its parent company, Moonlight Capital SA, in exchange for 26 TL per share on 31 December 2014. On 27 January 2016, Moonlight Capital S.A. conducted a sale transaction of shares, with all rights, obligations and encumbrances, held by Moonlight Capital S.A. in Migros Ticaret A.Ş. with a total nominal value of TL 26.937.336 pursuant to the Accession Agreement dated 27 January 2016 for a price of TL 26,00 per share to Kenan Investments S.A. which owns all of the shares of Moonlight Capital S.A. within the scope of intragroup share transfer.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

As a result of these transactions, the shareholding of MH, Moonlight Capital S.A. and Kenan Investments S.A. are 50,00%, 15,37% and 15,13%, respectively.

In regard of the 19,5% share of BC Partners managed Moonlight Capital S.A. (Moonlight Capital) in MH Perakendecilik ve Ticaret A.Ş. (MH Perakendecilik), which holds 50% shares of Migros Ticaret A.Ş. (Migros), Anadolu Endüstri Holding A.Ş. (AEH) retained a "buy option" and Moonlight Capital retained a "sell option", to be exercised within the May 1, 2017 and October 31, 2017 period.

In this context, Moonlight Capital has notified AEH on May 2, 2017 of its decision regarding the exercise of the aforementioned sale option. In regard of this transaction, AEH paid total amount of TL 509.029.436 after deductions, for the purchase of 19,5% shares of MH Perakendecilik, based on per share price of TL 30,2 for Migros, in line with the provisions of the Share Purchase Agreement dated 31 December 2014. The exercise of the option on 17 May 2017 pursuant to the transfer of purchase amount and shares, again along the provisions of the Share Purchase Agreement.

Following the transaction, while AEH's share in MH Perakendecilik increased to 100,0% and accordingly its indirect share in Migros increased to 50,0%, BC Partners' share in Migros through the funds it manages is 30,5%. Migros will continue to be equally controlled by BC Partners' managed funds and AEH; as such there will be no mandatory tender offer requirement.

The shareholders of the Company and their shareholdings stated at historical amounts at 30 June 2017 and 31 December 2016 are stated below:

	30 June 2017		31 December 2016	
	TL	Share (%)	TL	Share (%)
MH Perakendecilik ve Ticaret A.Ş.	89.015	50,00	89.015	50,00
Moonlight Capital S.A.	27.371	15,37	27.371	15,37
Kenan Investments S.A.	26.937	15,13	26.937	15,13
Other	34.707	19,49	34.707	19,49
Total	178.030	100,00	178.030	100,00

Merger of enterprises subject to common control

In accordance with the decision adopted during Migros Türk's general assembly held on 28 April 2009, Migros Türk has decided to merge with Moonlight through a takeover of its assets and liabilities as a whole within the framework of Capital Markets Board ("CMB") requirements, Turkish Commercial Code, Law No. 451, and other related articles and Corporate Tax Law No. 19-20. As a result of the mentioned merger, it has been decided to increase Moonlight's capital from TL 174.323.340 to TL178.030.000 (Amounts expressed in Turkish Lira ("TL") and also in accordance with the merger agreement approved during the General Assembly, merger ratio of 0.97918 and share exchange ratio of 1,00 has been identified. As a result of the merger, registered shares amounting to TL 3.706.660 (Amounts expressed in Turkish Lira ("TL") issued by Moonlight have been distributed to the shareholders of Migros Türk other than Moonlight in exchange for their Migros Türk shares.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

On 30 April 2009 Istanbul Trade Registry Office has announced the registry of Migros Türk's general assembly held on 28 April 2009 and merger agreement on 06 May 2009 dated and 7305 numbered Trade Registry Gazette. As a result of the merger, Moonlight's trade name has been changed as Migros Ticaret A.Ş.

The difference occurred as a result of merger amounting TL 27.312, has been presented as "Additional contribution to shareholders' equity related to merger" under consolidated equity, as there are no related lines present at the financial statement presentation format which is held mandatory by CMB.

NOTE 21 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Due from related parties	30 June 2017	31 December 2016
Anadolu Isuzu Otomotiv Sanayi ve Tic. A.Ş.	422	301
Çelik Motor Ticaret A.Ş.	115	153
Anadolu Motor Üretim ve Pazarlama A.Ş.	91	89
Other	69	57
	697	600

Due to related parties	30 June 2017	31 December 2016
Anadolu Efes Pazarlama ve Dağıtım Ticaret A.Ş.	98.986	86.990
Coca Cola Satış ve Dağıtım A.Ş.	84.732	43.799
Adel Kalemcilik Ticaret ve San. A.Ş.	6.519	5.303
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	4.327	3.279
AEH Sigorta Acenteliği A.Ş.	574	5.458
Ana Gıda İhtiyaç Maddeleri San. ve Tic. A.Ş. (*)	-	30.337
Other	65	4
	195.203	175.170

(*) Ana Gıda İhtiyaç Maddeleri San. ve Tic. A.Ş. is excluded from the related parties since Anadolu Endüstri Holding A.Ş. ("AEH") sold all its shares as of 21 February 2017.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 21 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties

Inventory purchases	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Coca Cola Satış ve Dağıtım A.Ş.	153.025	115.385	76.663	45.218
Anadolu Efes Paz. ve Dağıtım Ticaret A.Ş.	130.122	78.191	103.704	63.885
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	21.732	11.970	6.815	4.794
Ana Gıda İhtiyaç Maddeleri San. ve Tic. A.Ş.	20.042	-	62.412	33.818
Adel Kalemcilik Ticaret ve San. A.Ş.	2.738	113	-	-
Other	6	-	326	-
	327.665	205.659	249.920	147.715
Other transactions	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Rent income	349	154	287	153
Rent expense	(2.193)	(1.188)	(1.233)	(614)
Other income	153	85	202	107
Other expense	(36)	(21)	(36)	(22)
Other transactions, net	(1.727)	(970)	(780)	(376)

c) Key management compensation

The Group has determined key management personnel as chairman, members of Board of Directors, general manager and vice general managers.

Total compensation provided to key management personnel by Group for the period ended 30 June 2017 and 2016 is as follows:

Short-term benefits	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Short term benefits	12.342	8.845	6.486	3.776
	12.342	8.845	6.486	3.776

Key management compensation paid or payable consists of benefits, salaries, premiums, individual pension premiums, vehicle rents and SSI and employer shares.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 22 - EARNINGS/(LOSSES) PER SHARE

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Net (loss)/income attributable to shareholders	789.492	(117.522)	(62.060)	(36.302)
Weighted average number of shares with Kr1 face value each('000)	17.803.000	17.803.000	17.803.000	17.803.000
Earnings/(losses) per share	4,43	(0,66)	(0,35)	(0,20)

There is no difference between basic and diluted earnings per share for any of the periods.

NOTE 23 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION

The Group is exposed to foreign exchange risk primarily arising from the borrowings denominated in foreign currencies. Aforementioned foreign exchange risk is monitored and limited with derivative instruments. At 30 June 2017, if Euro had appreciated against TL by 5% and all other variables had remained constant, the profit for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in Euro would have been less in the amount of TL124.526.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 23 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

	FOREIGN CURRENCY POSITION							
	30 June 2017				31 December 2016			
	Total TL equivalent	USD	Euro	Other TL equivalent	Total TL equivalent	USD	Euro	Other TL equivalent
Cash and cash equivalents	292.322	2.199	71.008	365	200.705	3.669	50.520	369
Trade receivables	395	98	-	51	765	217	-	-
Other	1.960	559	-	-	2.246	638	-	-
Current assets	294.677	2.856	71.008	416	203.716	4.524	50.520	369
Total Assets	294.677	2.856	71.008	416	203.716	4.524	50.520	369
Financial liabilities	320.002	-	79.940	-	6.394	1.817	-	-
Trade payables	5.238	1.228	144	355	197.873	-	53.336	-
Other	19	6	-	-	-	-	-	-
Current liabilities	325.259	1.234	80.084	355	204.267	1.817	53.336	-
Financial liabilities	2.450.979	-	612.285	-	2.368.091	-	638.317	-
Non-monetary other liabilities	3.502	86	800	-	2.828	-	762	-
Non-current liabilities	2.454.481	86	613.085	355	2.370.919	-	639.079	-
Total liabilities	2.779.740	1.320	693.169	355	2.575.186	1.817	692.415	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 23 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

	FOREIGN CURRENCY POSITION							
	30 June 2017				31 December 2016			
	Total TL equivalent	USD	Euro	Other TL equivalent	Total TL equivalent	USD	Euro	Other TL equivalent
Net asset/(liability) position of off-balance sheet derivatives (A-B)	-	-	-	-	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	(2.485.063)	1.536	(622.161)	61	(2.371.470)	2.707	(641.895)	369
Net foreign currency asset/(liability) position of monetary items	(2.483.502)	1.069	(621.361)	61	(2.370.888)	2.070	(641.133)	369
Fair value hedge funds of foreign currency	-	-	-	-	602	-	-	-
Hedge amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedge amount of foreign currency liabilities	-	-	-	-	22.259	-	6.000	-
Export	-	-	-	-	-	-	-	-
Import	43.205	11.959	-	-	70.988	24.054	-	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 23 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

Foreign currency sensitivity analysis as of 30 June 2017 and 31 December 2016 is as follows:

30 June 2017

	Gain/(Loss)	
	Foreign exchange appreciation	Foreign exchange depreciation
%5 change in Euro exchange rate		
Euro net asset/liability	(124.526)	124.526
Portion secured from Euro risk	-	-
Euro net effect	(124.526)	124.526

31 December 2016

	Gain/(Loss)	
	Foreign exchange appreciation	Foreign exchange depreciation
%5 change in Euro exchange rate		
Euro net asset/liability	(119.068)	119.068
Portion secured from Euro risk	-	-
Euro net effect	(119.068)	119.068

NOTE 24 - FINANCIAL INSTRUMENTS

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Effective 1 January 2009, the group adopted the amendment to TFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

(Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

In the balance sheet, derivative financial instrument is the only item that is recognized at fair value. The fair value of derivative financial instrument is determined by using valuation technique, which can be regarded as Level 2. Apart from that, for disclosure purposes, the borrowings carried at the amortized cost at the balance sheet are presented with their values in Note 10.

The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate (Euribor) that is available to the Group for similar financial instruments that can be classified as level 2. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

NOTE 25 - SUBSEQUENT EVENTS

After the purchase of shares representing 95.50% of Kipa on 1 March 2017, a mandatory tender offer ("mandatory call") was conducted between 29 June 2017 and 26 July 2017 within the scope of the Communiqué on Takeover Bids of Capital Markets Board, No. II-26.1. As a result of the mandatory call, the Group had 96.25% of the total shares of Kipa and TL 22.493 has been paid for the additional shares purchased, TL 10.464 of the amount has been paid by Tesco Overseas Investments.

Within the scope of the commitment package given to the Competition Authority during Kipa's shares transfer to the Group, and as a result of the meetings held to dispose of 20 stores (12 Migros and 8 Kipa stores), a transfer agreement was signed with CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş ("CarrefourSA") on 2 August 2017 concerning the transfer of the fixtures and rental agreements of these stores to CarrefourSA. The said transfer amount is TL 20.000 and the VAT of the said amount.

.....