

MİGROS TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 31 MARCH 2019**

(ORIGINALLY ISSUED IN TURKISH)

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

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**CONSOLIDATED BALANCE SHEETS AS OF
31 MARCH 2019 AND 31 DECEMBER 2018**

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

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

	Notes	31 March 2019	31 December 2018
ASSETS			
Current Assets:			
Cash and cash equivalents		1.617.106	1.750.516
Financial investments		15.142	18.450
Trade receivables		156.698	121.114
<i>Trade receivables from related parties</i>	19	362	746
<i>Trade receivables from third parties</i>		156.336	120.368
Other receivables from third parties		48.727	27.584
Inventories	7	2.340.037	2.249.052
Prepaid expenses		63.880	71.897
Current income tax assets		53.452	49.477
Other current assets		2.932	10.382
Sub total		4.297.974	4.298.472
Assets held for sale		133.083	175.789
Total current assets		4.431.057	4.474.261
Non-current assets:			
Financial investments		1.165	1.165
Other receivables from third parties		5.409	5.480
Derivative instruments		2.289	-
Investment properties	4	32.325	32.325
Property, plant and equipment	5	3.814.615	3.863.042
Intangible assets		2.473.090	2.479.242
<i>Goodwill</i>		2.252.992	2.252.992
<i>Other intangible assets</i>	6	220.098	226.250
Prepaid expenses		14.937	27.581
Right-of-use assets		2.823.261	-
Deferred tax assets	17	-	1.765
Total non-current assets		9.167.091	6.410.600
Total assets		13.598.148	10.884.861

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

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	Notes	31 March 2019	31 December 2018
LIABILITIES			
Current liabilities:			
Short term borrowings	8	401.957	522.435
Short term portion of long term borrowings	8	569.537	706.655
Lease liabilities		329.528	-
Trade payables		4.731.792	4.866.750
<i>Trade payables to related parties</i>	19	223.432	213.810
<i>Trade payables to third parties</i>		4.508.360	4.652.940
Employee benefits payables	17	152.095	131.949
Other payables to third parties		105.992	126.474
Derivative Instruments		34.989	-
Deferred income		126.194	107.468
Short term provisions		240.423	207.464
<i>Short term provisions for employee benefits</i>	10	141.369	122.848
<i>Other short term provisions</i>	9	99.054	84.616
Other current liabilities		2.786	5.724
Total current liabilities		6.695.293	6.674.919
Non-current liabilities:			
Long term borrowings	8	3.776.951	3.341.007
Lease liabilities		2.530.759	-
Other payables to third parties		13.036	11.903
Deferred income	9	5.097	4.570
Derivative Instruments		2.015	71.895
Long term provisions		156.616	145.477
<i>Long term provisions for employee benefits</i>	10	156.616	145.477
Deferred tax liabilities	24	7.066	-
Total non-current liabilities		6.491.540	3.574.852
Total liabilities		13.186.833	10.249.771
EQUITY			
Attributable to equity holders of parent	18	409.644	632.904
Share capital		181.054	181.054
Other capital reserves		(365)	(365)
Treasury shares (-)	18	(125.435)	(125.435)
Additional contribution to share capital		22.074	22.074
<i>-Defined benefit plans re-measurement</i>		(9.265)	(9.265)
<i>-Revaluation fund of</i>			
<i>property, plant and equipment</i>		682.080	687.277
<i>- Currency translation differences</i>		140.265	132.671
Restricted reserves		23.771	9.391
Accumulated losses		(273.681)	571.060
Net income/(loss)		(230.854)	(835.558)
Non-controlling interest		1.671	2.186
Total equity		411.315	635.090
Total liabilities and equity		13.598.148	10.884.861

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

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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MİGROS TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019 AND 2018**

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

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

		1 January - 31 March 2019	Restated 1 January - 31 March 2018
	Notes		
Revenue	3, 11	4.922.670	3.940.136
Cost of sales (-)	3, 11	(3.566.888)	(2.941.638)
Gross profit		1.355.782	998.498
General administrative expenses (-)	12	(75.794)	(65.544)
Marketing expenses (-)	12	(1.037.993)	(823.657)
Other operating income	13	86.898	36.706
Other operating expense (-)	13	(186.432)	(96.368)
Operating profit		142.461	49.635
Income from investment activities	14	1.356	1.933
Expenses from investment activities (-)	14	(6.084)	(5.252)
Operating income before finance income/(expense)		137.733	46.316
Financial income	15	21.948	20.023
Financial expense (-)	16	(381.778)	(303.043)
Net (loss) / income before tax from continuing operations		(222.097)	(236.704)
Tax expense from continuing operations		(8.719)	(9.183)
- Income tax expense	17	(692)	(15.300)
- Deferred tax income / (expense)	17	(8.027)	6.117
Net (loss) / income		(230.816)	(245.887)
Net (loss) / income attributable to:			
- Non-controlling interest		38	(2.219)
- Equity holders of parent	20	(230.854)	(243.668)
(Loss) / Earning per share TRL	20	(1,28)	(1,37)

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**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019 AND 2018**

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

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	1 January - 31 March 2019	Restated 1 January - 31 March 2018
Net (loss) / income for the period	(230.816)	(245.887)
Items to be reclassified to profit or loss		
-Currency translation differences	7.041	2.016
Other comprehensive income / (loss), after tax	7.041	2.016
Total comprehensive income / (loss)	(223.775)	(243.871)
Total comprehensive (loss) / income attributable to:		
-Non-controlling interests	(515)	(2.212)
-Equity holders of parent	(223.260)	(241.659)

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019 AND 2018

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

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					Other comprehensive income / expenses not to be reclassified to profit or loss	Other comprehensive sınıflandırılacak to be reclassified to profit or loss			Retained earnings			
	Share capital	Other capital reserves	Treasury shares	Additional contribution to share capital	Defined benefit plans re-measurement (losses)	Cumulative translation differences	Restricted reserves	Accumulated gain / (losses)	Net (loss) / income for the period	Attributable to equity holders of the parent	Non - controlling interests	Total equity
Balances at 1 January 2018	178.030	(365)	-	27.312	735.016	45.311		(27.516)	512.706	1.470.494	56.654	1.527.148
Transfers	-	-	-	-	(2.054)	-	-	514.760	(512.706)	-	-	-
Total comprehensive income	-	-	-	-	-	2.009	-	-	(243.668)	(241.659)	(2.212)	(243.871)
Net income for the period	-	-	-	-	-	-	-	-	(243.668)	(243.668)	(2.219)	(245.887)
Cumulative translation differences	-	-	-	-	-	2.009	-	-	-	2.009	7	2.016
Balances at 31 March 2018	178.030	(365)	-	27.312	732.962	47.320	-	487.244	(243.668)	1.228.835	54.442	1.283.277
Balances at 1 January 2019	181.054	(365)	(125.435)	22.074	678.012	132.671	9.391	571.060	(835.558)	632.904	2.186	635.090
Transfers	-	-	-	-	(5.197)	-	14.380	(844.741)	835.558	-	-	-
Total comprehensive income	-	-	-	-	-	7.594	-	-	(230.854)	(223.260)	(515)	(223.775)
Net income for the period	-	-	-	-	-	-	-	-	(230.854)	(230.854)	38	(230.816)
Cumulative translation differences	-	-	-	-	-	7.594	-	-	-	7.594	(553)	7.041
Balances at 31 March 2019	181.054	(365)	(125.435)	22.074	672.815	140.265	23.771	(273.681)	(230.854)	409.644	1.671	411.315

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**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019 AND 2018**

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

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		1 January - 31 March 2019	Restated 1 January - 31 March 2018
	Notes		
Cash flow from operating activities:			
Net (loss) / income for the period		(230.816)	(245.887)
Adjustments related to reconciliation of (loss) / profit			
Adjustments for depreciation and amortisation expenses	12	209.214	69.585
Adjustments for impairment on receivables	13	4.035	1.511
Adjustments for inventory provisions	7	6.047	7.413
Adjustments for impairment on property, plant and equipment	14	1.167	990
Adjustments for provision for employee benefits	10	43.127	29.717
Adjustments for provision for litigation	9	11.552	8.781
Adjustments for interest income		(15.290)	(12.597)
Adjustments for interest expense	16	217.522	69.625
Adjustments for deferred financing due to forward purchases expenses	13	166.130	79.850
Adjustments for unearned finance income from sales	13	(44.545)	(21.012)
Adjustments for unrealized foreign exchange losses related to bank borrowings	8	152.365	223.856
Adjustments for fair value losses arising from derivatives	15	(6.535)	10
Adjustments for income tax expense	17	8.719	9.183
Loss on sale of property plant and equipment		3.561	2.329
Changes in net working capital		526.253	223.354
Adjustments for increase in trade receivables		(15.271)	(2.695)
Adjustments for increase in inventories		(97.032)	57.072
Adjustments for increase in other receivables related with operations		(11.924)	(20.222)
Adjustments for increase in trade payables		(112.388)	(230.241)
Adjustments for increase in other payables related with operations		24.909	(58.769)
Cash flows from operating activities		314.547	(31.501)
Employee benefits paid	10	(13.467)	(11.738)
Interest received		56.616	31.406
Interest paid		(188.701)	(84.945)
Taxes paid		(4.641)	(29.988)
Other provisions paid	9	(6.208)	(3.307)
Net cash provided by operating activities		158.146	(130.073)

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**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019 AND 2018**

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

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			Restated
	Notes	1 January - 31 March 2019	1 January - 31 March 2018
Cash flows from investing activities:			
Cash outflows from the purchase of investment properties, tangible and intangible assets		(42.150)	(77.409)
Cash inflows from the sale of tangible and intangible assets		47.652	44.804
Net cash used in investing activities		5.502	(32.605)
Cash flows from financing activities			
Proceeds from borrowings	8	570.200	101.268
Repayment of borrowings	8	(559.813)	(309.800)
Repayment of derivative instruments		(30.645)	-
Interest received	15	3.539	1.114
Interest paid		(98.548)	(62.050)
Cashoutflows from payments of rent agreements		(175.848)	-
Net cash provided by financing activities		(291.115)	(269.468)
Impact of foreign currency translation differences on cash and cash equivalents		(5.943)	(3.639)
Net (decrease) / increase in cash and cash equivalents		(133.410)	(435.785)
Cash and cash equivalents at the beginning of period		1.750.516	1.617.380
Cash and cash equivalents at the end of period		1.617.106	1.181.595

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Migros Ticaret A.Ş., (collectively referred to as “Migros” or the “Company”), was established on 19 March 2008 and is registered in Istanbul, Turkey under the Turkish Commercial Code. (Migros Türk Ticaret Anonim Şirketi, which was established in 1954, merged with its parent company Moonlight Perakendecilik ve Ticaret Anonim Sirketi (“Moonlight Perakendecilik”) on April 30, 2009 and the trade name of Moonlight Retailing was changed as Migros Ticaret A.Ş.)

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

As of March 31, 2019, the direct and indirect total of Migros’s capital shares of BC Partners (“Moonlight Capital S.A. and Kenan Investments S.A.”) equal to 23.2% and the indirect shares of AG Anadolu Grubu Holding A.Ş. (“Anadolu Group”) is 50%. The Group is jointly managed by Anadolu Group and BC Partners.

Through its Migros, 5M, Migros Jet and Macrocenter 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 31 March 2019, the Group operates in 2.100 stores in total (31 December 2018: 2.103) which comprise 1.489.587 m2 from 2.080 retail stores and comprise 11.227 m2 from 20 wholesale stores with a total net space of 1.500.814 m2 (31 December 2018: 1.497.345 m2). As of 31 March 2019, the Group employed 31.504 people (31 December 2018: 28.890) on average. Retail is the main business segment of the Group and constitutes almost 96% of gross sales (31 December 2018: 96%).

The address of the registered office is as follows:

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

These condensed consolidated financial statements have been approved for issue by the Board of Directors (“BOD”) on 8 May 2019 and signed by Ö. Özgür Tort, General Manager, and Ferit Cem Doğan, 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.

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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:

	Country of incorporation	Geographical segment	Nature of business	March 2019 (%)	December 2018 (%)
Subsidiaries					
Ramstore Bulgaria E.A.D. (“Ramstore Bulgaria”)	Bulgaria	Bulgaria	Dormant	100	100
Ramstore Kazakhstan LLC (“Ramstore Kazakhstani”)	Kazakhstan	Kazakhstan	Retailing	100	100
Ramstore Macedonia DOO (“Ramstore Macedonia”)	Macedonia	Bulgaria	Retailing	99	99
Sanal Merkez Ticaret A.Ş. (“Sanal Merkez”) (*)	Turkey	Turkey	Dormant	100	100

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

**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.

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

2.1 Basis of presentation (Continued)

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 9, 21).

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. 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.

For the period ended 31 March 2018, the logistic expenses amounting to TL 78.586 thousand classified in marketing expenses have been reclassified to cost of goods sold, depreciation expenses amounting to TL 69.585 thousand classified in general administrative expenses have been reclassified to marketing expenses as of 31 March 2019 in order to comply with current period consolidated financial statements. The consolidated income statement for the period ended March 31, 2018 was revised by increasing TL 1.257 thousand in marketing expenses and TL 3.987 thousand in general administrative expenses, in order to present accurately the periodical accruals of the yearly expense provisions which are netted at the period ends.

The condensed consolidated interim financial statements for the period ended March 31, 2019 except for implementation of IFRS 16 which is effective from January 1, 2019 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, 2018. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.

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

2.1 Basis of presentation (Continued)

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.

2.2 New and Revised Turkish Accounting Standards

a) The new standards, amendments to published standards and interpretations effective applicable for the current period:

- | | | |
|---|---|---|
| - | New and amended IFRS Standards that are effective for the current year | |
| - | | |
| - | IFRS 16 | Leases |
| - | Amendments to IAS 28 | <i>Long-term Interests in Associates and Joint Ventures</i> |
| - | IFRIC 23 | <i>Uncertainty over Income Tax Treatments</i> |
| - | Amendments to IAS 19 Employee Benefits | <i>Plan Amendment, Curtailment or Settlement</i> |
| - | Standards 2015–2017 Cycle and IAS 23 Borrowing Costs | <i>IFRS 11 Joint Arrangements, IAS 12 Income Taxes</i> |

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

2.2 New and Revised Turkish Accounting Standards (Continued)

**a) The new standards, amendments to published standards and interpretations effective
applicable for the current period (Continued):**

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019.

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
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2.2 New and Revised Turkish Accounting Standards (Continued)

**a) The new standards, amendments to published standards and interpretations effective
applicable for the current period (Continued):**

IFRS 16 Leases (Continued)

Impact on Lessee Accounting

Operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group has:

- a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 1 January 2019, the impact of IFRS 16 on the financial statements of the Group is disclosed in “the effects of accounting policy amendments” note.

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
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2.2 New and Revised Turkish Accounting Standards (Continued)

- a) **The new standards, amendments to published standards and interpretations effective applicable for the current period (Continued):**

IFRS 16 Leases (Continued)

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

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

This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IFRS Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to IFRS Standards 2015–2017 Cycle

Annual Improvements to IFRS Standards 2015–2017 Cycle include amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, IAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and IAS 23 Borrowing Costs in capitalized borrowing costs.

Other than IFRS 16, these standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
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2.2 New and Revised Turkish Accounting Standards (Continued)

Effects of revised accounting policies

In this note, the new accounting policies, which the Group has started to apply as of 1 January 2019, have been disclosed with the effect of application of IFRS 16 Leases standard on the Group's consolidated financial statements.

The Effects of Accounting Policy Changes on the Group's Financial Statements

In accordance with the adoption of IFRS 16, some changes have occurred in the accounting policies as of 1 January 2019 and adjustments have been made to the financial statements. In accordance with the transitional provisions of IFRS 16, prior year financial statements have not been restated. The effects of the amendments as of 31 March 2019 are as follows:

	Amounts after changes in accounting policy		Before changes in accounting policy
	31 March 2019	IFRS 16 Effect	31 March 2019
ASSETS			
Current Assets:			
Cash and cash equivalents	1.617.106	-	1.617.106
Financial investments	15.142	-	15.142
Trade receivables	156.698	-	156.698
Trade receivables from related parties	362	-	362
Trade receivables from third parties	156.336	-	156.336
Other receivables from third parties	48.727	-	48.727
Inventories	2.340.037	-	2.340.037
Prepaid expenses	63.880	(15.095)	78.975
Other current assets	2.932	-	2.932
Current income tax assets	53.452	-	53.452
Assets held for sale	133.083	-	133.083
Total current assets	4.431.057	(15.095)	4.446.152
Non-current assets:			
Financial investments	1.165	-	1.165
Other receivables from third parties	5.409	-	5.409
Derivative instruments	2.289	-	2.289
Investment properties	32.325	-	32.325
Property, plant and equipment	3.814.615	-	3.814.615
Intangible assets	2.473.090	-	2.473.090
Goodwill	2.252.992	-	2.252.992
Other intangible assets	220.098	-	220.098
Prepaid expenses	14.937	(8.955)	23.892
Right-of-use assets	2.823.261	2.823.261	-
Total non-current assets	9.167.091	2.814.306	6.352.785
Total assets	13.598.148	2.799.210	10.798.938

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
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2.2 New and Revised Turkish Accounting Standards (Continued)

Effects of revised accounting policies (Continued)

	Amounts after changes in accounting policy		Before changes in accounting policy
	31 March 2019	TFRS 16 Effect	31 March 2019
LIABILITIES			
Current liabilities:			
Short term portion of long term borrowings	569.537	-	569.537
Short term borrowings	401.957	-	401.957
Lease liabilities	329.528	329.528	-
Trade payables	4.731.792	-	4.731.792
Trade payables to related parties	223.432	-	223.432
Trade payables to third parties	4.508.360	-	4.508.360
Employee benefits payables	152.095	-	152.095
Other payables to third parties	105.992	-	105.992
Derivative Instruments	34.989	-	34.989
Deferred income	126.194	-	126.194
Short term provisions	240.423	-	240.423
Short term provisions for employee benefits	141.369	-	141.369
Other short term provisions	99.054	-	99.054
Other current liabilities	2.786	-	2.786
Total current liabilities	6.695.293	329.528	6.365.765
Non-current liabilities:			
Long term borrowings	3.776.951	-	3.776.951
Lease liabilities	2.530.759	2.530.759	-
Other payables to third parties	13.036	-	13.036
Derivative Instruments	2.015	-	2.015
Deferred income	5.097	-	5.097
Long term provisions	156.616	-	156.616
Long term provisions for employee benefits	156.616	-	156.616
Deferred tax liabilities	7.066	(11.766)	18.832
Total non-current liabilities	6.491.540	2.518.993	3.972.547
Total liabilities	13.186.833	2.848.521	10.338.312
EQUITY			
Attributable to equity holders of parent	409.644	(49.311)	458.955
Share capital	181.054	-	181.054
Other capital reserves	(365)	-	(365)
Treasury shares (-)	(125.435)	-	(125.435)
Additional contribution to share capital	22.074	-	22.074
-Defined benefit plans re-measurement (losses)	(9.265)	-	(9.265)
-Revaluation fund of property, plant and equipment	682.080	-	682.080
-Currency translation differences	140.265	-	140.265
Restricted reserves	23.771	-	23.771
Accumulated losses	(273.681)	-	(273.681)
Net income/(loss)	(230.854)	(49.311)	(181.543)
Non-controlling interest	1.671	-	1.671
Total equity	411.315	(49.311)	460.626
Total liabilities and equity	13.598.148	2.799.210	10.798.938

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
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2.2 New and Revised Turkish Accounting Standards (Continued)

Effects of revised accounting policies (Continued)

	Amounts after changes in accounting policy		Before changes in accounting policy
	31 March 2019	IFRS 16 Effect	31 March 2019
Revenue	4.922.670	-	4.922.670
Cost of sales (-)	(3.566.888)	16.773	(3.583.661)
Gross profit	1.355.782	16.773	1.339.009
General administrative expenses (-)	(75.794)	-	(75.794)
Marketing expenses (-)	(1.037.993)	27.787	(1.065.780)
Other operating income	86.898	-	86.898
Other operating expense (-)	(186.432)	92	(186.525)
Operating profit	142.461	44.652	97.808
Income from investment activities	1.356	-	1.356
Expenses from investment activities (-)	(6.084)	-	(6.084)
Operating income before finance income/(expense)	137.733	44.652	93.080
Financial income	21.948	-	21.948
Financial expense (-)	(381.778)	(105.729)	(276.049)
Net (loss) / income before tax from continuing operations	(222.097)	(61.077)	(161.021)
Tax expense from continuing operations	(8.719)	11.766	(20.485)
- Income tax expense	(692)	-	(692)
- Deferred tax income / (expense)	(8.027)	11.766	(19.793)
Net (loss) / income	(230.816)	(49.311)	(181.506)

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 19%.

The recognised right-of-use assets relate to the following types of assets:

	31 March 2019
Properties	2.823.261
Total right-of-use assets	2.823.261

The change in accounting policy affected the following items in the balance sheet on 31 March 2019:

- Right-of-use assets – increase by TL 2.823.261
- Deferred tax assets – increase by TL 11.766
- Prepayments – decrease by TL 24.051
- Short term lease liabilities – increase by TL 329.528
- Long term lease liabilities – increase by TL 2.530.759

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL
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2.2 New and Revised Turkish Accounting Standards (Continued)

Effects of revised accounting policies (Continued)

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- not to re-evaluate the financially disadvantaged rental agreements within the scope of IAS 17 in the prior period
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Significant accounting policies – IFRS 16 Leases

The Group leases various stores and warehouses. Lease terms can be individually negotiated and include a variety of different terms and conditions. Lease agreements are not subject to any contract, but leased assets cannot be used as a guarantee for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed term lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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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 31 March 2019 and 2018 is as follows:

Segment analysis for the period 1 January - 31 March 2019

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External Revenues	4.783.088	139.582	4.922.670	-	4.922.670
Inter segment revenues	1.288	-	1.288	(1.288)	-
Sales revenue	4.784.376	139.582	4.923.958	(1.288)	4.922.670
Cost of sales	(3.465.747)	(102.429)	(3.568.176)	1.288	(3.566.888)
Gross profit	1.318.629	37.153	1.355.782	-	1.355.782
Selling and marketing expenses	(1.014.295)	(23.698)	(1.037.993)	-	(1.037.993)
General administrative expenses	(65.149)	(10.645)	(75.794)	-	(75.794)
Addition: Depreciation and amortisation expenses	203.934	5.280	209.214	-	209.214
Addition: Provision for termination benefits	11.117	136	11.253	-	11.253
Addition: Termination benefits paid	8.673	-	8.673	-	8.673
Addition: Provision for Unused vacation	18.520	-	18.520	-	18.520
EBITDA (Including the new and revised standards)	481.429	8.226	489.655	-	489.655
The effect of new and revised standards (Note 2.2) (*)	(175.848)	-	(175.848)	-	(175.848)
EBITDA	305.581	8.226	313.807	-	313.807
Rent Expense	232.890	8.836	241.726	-	241.726
EBITDAR	538.472	17.062	555.534	-	555.534

(*) Consists of lease expenses amounting to TL 16.773 thousand and TL 159.075 thousand which are included in cost of goods sold and marketing expenses respectively.

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NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 January - 31 March 2018

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External Revenues	3.831.184	108.952	3.940.136	-	3.940.136
Inter segment revenues	1.006	-	1.006	(1.006)	-
Sales revenue	3.832.190	108.952	3.941.142	(1.006)	3.940.136
Cost of sales	(2.860.905)	(81.739)	(2.942.644)	1.006	(2.941.638)
Gross profit	971.285	27.213	998.498	-	998.498
Selling and marketing expenses	(805.534)	(18.123)	(823.657)	-	(823.657)
General administrative expenses	(57.398)	(8.146)	(65.544)	-	(65.544)
Addition: Depreciation and amortisation expenses	66.383	3.202	69.585	-	69.585
Addition: Provision for termination benefits	9.436	370	9.806	-	9.806
Addition: Termination benefits paid	8.924	-	8.924	-	8.924
Addition: Provision for Unused vacation	8.173	-	8.173	-	8.173
EBITDA	201.269	4.516	205.785	-	205.785
Rent Expense	187.406	6.739	194.145	-	194.145
EBITDAR	388.675	11.255	399.930	-	399.930

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

	1 January - 31 March 2019	1 January - 31 March 2018
EBITDAR reported segments	555.534	399.930
Rent expenses	(241.726)	(194.145)
The effect of new and revised standards (Note 2.2)	175.848	-
EBITDA reported segments	489.656	205.786
Depreciation and amortisation	(209.214)	(69.585)
Provision for employment termination benefits	(11.253)	(9.806)
Termination benefits paid	(8.673)	(8.924)
Provision for unused vacation liability	(18.520)	(8.173)
Other operating income	86.898	36.706
Other operating expense (-)	(186.432)	(96.368)
Operating profit	142.462	49.635
Income from investing activities	1.356	1.933
Expense from investing activities (-)	(6.084)	(5.252)
Operating profit before finance income	137.734	46.316
Financial income	21.948	20.023
Financial expense (-)	(381.778)	(303.043)
Income/(loss) before tax	(222.097)	(236.704)

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NOTE 4 - INVESTMENT PROPERTY

	1 January 2019	Additions	Transfers	Cumulative translation differences	31 March 2019
Cost					
Land and buildings	32.325	-	-	-	32.325
Net book value	32.325	-	-	-	32.325

Investment properties of the Group consist of leased space to other retailers in Kipa Muğla Marmaris Shopping Mall in Turkey.

There is no mortgage or pledge on the investment properties of the Group as of 31 March 2019.

	1 January 2018	Additions	Transfers	Cumulative translation differences	31 March 2018
Cost					
Land and buildings	342.731	2.778	5.028	6.078	356.615
Net book value	342.731				356.615

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipments period ended at 31 March 2019 is as follows;

	1 January 2019	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	31 March 2019
Cost							
Land	1.458.276	-	(21.855)	-	-	1.509	1.437.930
Buildings	1.017.439	1.445	(10.785)	-	21	6.853	1.014.973
Leasehold improvements	844.539	3.411	(23)	(8.789)	571	1.604	841.314
Machinery and equipments	1.168.600	8.568	(4.683)	-	2.207	3.560	1.178.253
Motor vehicles	6.397	-	-	-	-	125	6.522
Furniture and fixtures	786.762	5.184	(786)	-	1.005	2.762	794.928
Construction in progress	37.381	22.503	-	-	(9.313)	943	51.514
	5.319.394	41.111	(38.132)	(8.789)	(5.509)	17.357	5.325.433
Accumulated depreciation							
Buildings	-	(7.699)	-	-	-	102	(7.597)
Leasehold improvementsc	(404.733)	(16.977)	18	7.622	-	(1.067)	(415.137)
Machinery and equipments	(592.706)	(24.034)	4.109	-	(16)	(2.675)	(615.322)
Motor vehicles	(1.439)	(226)	-	-	-	(68)	(1.733)
Furniture and fixture	(457.474)	(12.136)	655	-	(91)	(1.983)	(471.029)
	(1.456.352)	(61.073)	4.782	7.622	(108)	(5.690)	(1.510.818)
Net book value	3.863.042		(33.350)	(1.167)	(5.616)	11.667	3.814.615

(*) Impairment loss amounting to TRL 1.167 consists of leasehold improvements of the stores closed in 2019 (Note:14).

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement of property, plant and equipments period ended at 31 March 2018 is as follows;

	1 January 2018	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	31 March 2018
Cost							
Land	1.454.789	-	-	-	-	-	1.454.789
Buildings	1.016.356	441	-	-	647	5.218	1.022.662
Leasehold improvements	772.842	6.855	(97)	(3.432)	(2.983)	1.501	774.686
Machinery and equipments	1.019.860	10.398	(6.546)	-	18.001	1.515	1.043.228
Motor vehicles	9.848	186	(250)	-	-	153	9.937
Furniture and fixtures	710.387	7.304	(2.853)	-	4.477	2.944	722.259
Construction in progress	33.511	38.600	-	-	(25.053)	743	47.801
	5.017.593	63.784	(9.746)	(3.432)	(4.911)	12.074	5.075.362
Accumulated depreciation							
Buildings	-	(5.115)	-	-	-	(5.395)	(10.510)
Leasehold improvements	(341.343)	(16.056)	96	2.442	-	(848)	(355.709)
Machinery and equipments	(516.094)	(23.776)	4.505	-	(21)	(493)	(535.879)
Motor vehicles	(6.237)	(173)	208	-	-	(4.007)	(10.209)
Furniture and fixture	(413.631)	(12.472)	1.872	-	(96)	(1.740)	(426.067)
	(1.277.305)	(57.592)	6.681	2.442	(117)	(12.483)	(1.338.374)
Net book value	3.740.288		(3.065)	(990)	(5.028)	(409)	3.736.988

(*) Impairment loss amounting to TRL 990 consists of leasehold improvements of the stores closed in 2018 (Note:14).

There are no mortgages on property, plant and equipment as of March 31, 2019 and 2018. Depreciation expenses of the property, plant and equipment have been accounted under marketing expenses.

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NOTE 6 - INTANGIBLE ASSETS

Movement of intangible assets period ended at 31 March 2019 and 2018 is as follows;

	1 January			Cumulative	31 March
	2019	Additions	Transfers	translation	2019
				differences	
Cost					
Trademark	2.787	-	-	-	2.787
Rent agreements	39.131	-	-	-	39.131
Rights	373.595	1.039	-	-	374.634
Other intangible assets	163.627	-	5.616	981	170.224
	579.140	1.039	5.616	981	586.776
Accumulated amortisation					
Rent agreements	(34.355)	(183)	-	-	(34.538)
Rights	(234.169)	(8.319)	-	-	(242.488)
Other intangible assets	(84.366)	(4.589)	-	(697)	(89.653)
	(352.890)	(13.091)	-	(697)	(366.678)
Net book value	226.250				220.098
	1 January			Cumulative	31 March
	2018	Additions	Transfers	translation	2018
				differences	
Cost					
Trademark	17.229	-	-	-	17.229
Rent agreements	39.131	-	-	-	39.131
Rights	303.116	9.257	-	759	313.132
Other intangible assets	93.239	1.590	-	-	94.829
	452.715	10.847	-	759	464.321
Accumulated amortisation					
Rent agreements	(31.743)	(106)	-	-	(31.849)
Rights	(187.242)	(1.000)	-	(692)	(188.934)
Other intangible assets	(73.043)	(10.887)	-	-	(83.930)
	(292.028)	(11.993)	-	(692)	(304.713)
Net book value	160.687				159.608

Depreciation expenses of the intangible assets have been accounted under marketing expenses.

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NOTE 7 - INVENTORIES

	31 March 2019	31 December 2018
Raw materials	8.693	13.640
Work in progress	57.776	47.466
Merchandise stocks	2.299.160	2.207.748
Other	3.658	3.401
Less: Provision for net realizable value	(29.250)	(23.203)
	2.340.037	2.249.052

NOTE 8 - FINANCIAL LIABILITIES

	31 March 2019		
	Effective interest rate (%)	In original currency	Total TRL equivalent
Short term borrowings			
With fixed interest rate - TRL	31,05	401.957	401.957
With fixed interest rate - EUR			
Total short term borrowings			401.957
Current portion of long term borrowings			
With floating interest rate - EUR	5,26	50.205	317.238
With fixed interest rate - TRL	20,29	153.237	153.237
With floating interest rate - TRL	29,90	92.584	92.584
With fixed interest rate - Tenge	11,31	437.355	6.477
Total current portion of long term borrowings			569.537
Total current bank borrowings			971.494
Non-current bank borrowings			
With floating interest rate - EUR	5,26	464.788	2.936.902
With fixed interest rate - TRL	20,29	473.828	473.828
With floating interest rate - TRL	29,90	315.886	315.886
With fixed interest rate - Tenge	11,31	3.398.713	50.335
Total non-current bank borrowings			3.776.951
Total financial liabilities			4.748.445

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of bank borrowings with effective interest rate at 31 March 2019 is as follows:

	Tenge loan	Euro loan		Total
	TRL equivalent	TRL equivalent	TRL loan	(TRL equivalent)
1 April 2019 - 31 March 2020	6.477	317.238	647.779	971.494
1 April 2020 - 31 March 2021	16.092	624.737	403.569	1.044.398
1 April 2021 - 31 March 2022	17.711	870.288	171.331	1.059.330
1 April 2022 - 31 March 2023	13.997	925.137	126.803	1.065.937
1 April 2023 - 18 January 2024	2.536	516.739	88.011	607.286
	56.813	3.254.139	1.437.493	4.748.445

The fair value of bank borrowings at 31 March 2019 is TRL 4.834.481.

The redemption schedule of principal amounts of bank borrowings at 31 March 2019 is as follows:

	Tenge loan	Euro loan		Total
	TRL equivalent	TRL equivalent	TRL loan	(TRL equivalent)
1 April 2019 - 31 March 2020	6.024	217.799	627.661	851.484
1 April 2020 - 31 March 2021	16.092	524.067	196.148	736.307
1 April 2021 - 31 March 2022	17.711	868.293	188.199	1.074.203
1 April 2022 - 31 March 2023	13.997	1.031.076	182.548	1.227.621
1 April 2023 - 18 January 2024	2.536	624.053	186.866	813.455
	56.360	3.265.288	1.381.422	4.703.070

The Group has obligation to meet various financial covenants according to loan agreement related to bank borrowings. As of 31 March 2019 the Group has met defined financial covenants requirements.

The movement schedule of borrowings as of 31 March 2019 is as follows;

Beginning balance	4.570.097
Proceeds of borrowings	570.200
Payments	(559.813)
Foreign exchange losses	152.365
Interest accrual	15.596
Closing	4.748.445

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

	31 December 2018		
	Effective interest rate (%)	In original currency	Total TRL equivalent
Short term borrowings			
With fixed interest rate - TRL	26,88	394.228	394.228
With fixed interest rate - EUR	4,85	21.269	128.207
Total short term borrowings			522.435
Current portion of long term borrowings			
With floating interest rate - EUR	5,26	98.867	595.971
With fixed interest rate - TRL	13,97	53.906	53.906
With floating interest rate - TRL	34,22	53.577	53.577
With fixed interest rate - Tenge	11,31	233.765	3.201
Total current portion of long term borrowings			706.655
Total current bank borrowings			1.229.090
Non-current bank borrowings			
With floating interest rate - EUR	5,26	490.500	2.956.734
With fixed interest rate - TRL	13,97	179.137	179.137
With floating interest rate - TRL	34,22	155.804	155.804
With fixed interest rate - Tenge	11,31	3.602.698	49.332
Total non-current bank borrowings			3.341.007
Total financial liabilities			4.570.097

The redemption schedule of bank borrowings with effective interest rate at 31 December 2018 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total (TRL equivalent)
1 January 2019- 31 December 2019	3.201	724.178	501.711	1.229.090
1 January 2020- 31 December 2020	13.631	778.331	169.685	961.647
1 January 2021- 31 December 2021	16.290	819.909	95.050	931.249
1 January 2022- 31 December 2022	15.894	871.626	46.973	934.493
1 January 2023 - 12 September 2023	3.517	486.868	23.233	513.618
	52.533	3.680.912	836.652	4.570.097

The fair value of bank borrowings at 31 December 2018 is TRL 4.442.623.

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of principal amounts of bank borrowings at 31 December 2018 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total (TRL equivalent)
1 January 2019- 31 December 2019	2.776	569.455	412.854	985.085
1 January 2020- 31 December 2020	13.631	698.872	166.532	879.035
1 January 2021- 31 December 2021	16.290	828.333	128.967	973.590
1 January 2022- 31 December 2022	15.894	983.625	64.084	1.063.603
1 January 2023 - 12 September 2023	3.517	595.333	38.786	637.636
	52.108	3.675.618	811.223	4.538.949

NOTE 9 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions	31 March 2019	31 December 2018
Provision for litigation	87.840	82.496
Provisions for customer loyalty programs	10.223	1.492
Other	991	628
	99.054	84.616

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 - 31 March 2019	1 January - 31 March 2018
Beginning balance	82.496	61.594
Increase during period	11.552	8.781
Payments during period	(6.208)	(3.307)
Ending balance	87.840	67.068

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**NOTE 9 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES
(Continued)**

Collaterals, Pledges, Mortgages

31 March 2019:

	TL equivalent	TL	USD	EUR
A. CPM given on behalf of the Company's legal personality	177.136	167.197	1.766	-
B. CPM given on behalf of fully consolidated subsidiaries	50.335	-	8.943	-
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	227.471	167.197	10.709	-
Proportion of the other CPM's to equity (%)	-			

31 December 2018:

	TL equivalent	TL	USD	EUR
A. CPM given on behalf of the Company's legal personality	178.347	168.898	1.796	-
B. CPM given on behalf of fully consolidated subsidiaries	49.332	-	9.377	-
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	227.679	168.898	11.173	-
Proportion of the other CPM's to equity (%)	-			

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**NOTE 9 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES
(Continued)**

Contingent assets and liabilities

Guarantees given at 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Letter of guarantees given	227.471	227.679
	227.471	227.679

Guarantees received at 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Guarantees obtained from customers	170.799	142.094
Mortgages obtained from customers	12.976	11.936
	183.775	154.030

NOTE 10 - PROVISION FOR EMPLOYEE BENEFITS

	31 March 2019	31 December 2018
Provision for employee termination benefits	156.616	145.477
Provision for unused vacation	141.369	122.848
	297.985	268.326

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NOTE 10 - PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movement of unused vacation provision at 31 March 2019 and 31 March 2018 is as follows:

	2019	2018
Beginning balance	122.848	110.855
Increase during period	23.201	10.987
Recovered during period	(4.680)	(2.814)
Ending balance	141.369	119.028

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

	2019	2018
Beginning balance	145.477	117.753
Increase during period	19.926	18.730
Payments during period	(8.787)	(8.924)
Ending balance	156.616	127.559

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 31 March 2019 and consolidated financial statements as of 31 December 2018, 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 TRL 6.017,60 effective from 1 January 2019 has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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NOTE 11 - REVENUE

	1 January - 31 March 2019	1 January - 31 March 2018
Domestic sales	4.879.152	3.932.051
Foreign sales	138.738	108.543
Other sales	7.057	3.231
Gross sales	5.024.947	4.043.825
Discounts and returns (-)	(102.278)	(103.689)
Sales revenue, net	4.922.670	3.940.136
Cost of sales	(3.566.888)	(2.941.638)
Gross profit	1.355.782	998.498

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

	1 January - 31 March 2019	1 January - 31 March 2018
Retail sales revenue	4.796.120	3.885.620
Wholesale revenue	162.763	102.593
Rent income	59.008	52.381
	5.017.891	4.040.594

NOTE 12 - EXPENSE BY NATURE

Total	1 January - 31 March 2019	1 January - 31 March 2018
Staff costs	539.064	423.904
Depreciation and amortisation	209.214	69.585
Rent and common area	95.505	204.832
Energy	74.698	45.897
Porterage and cleaning	36.900	27.540
Advertising	30.713	26.503
Mechanisation	19.387	13.450
Repair and maintenance	15.818	13.619
Security	13.804	10.712
Taxes and other fees	7.445	5.782
Communication	4.101	3.669
Other	67.138	43.527
	1.113.787	889.201

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NOTE 12 - EXPENSE BY NATURE (Continued)

	1 January - 31 March 2019	1 January - 31 March 2018
Marketing expenses		
Staff costs	478.548	372.012
Depreciation and amortisation	209.214	69.585
Rent and common area	95.230	204.668
Energy	73.990	45.502
Porterage and cleaning	35.853	26.647
Advertising	30.708	26.495
Mechanisation	17.401	10.819
Repair and maintenance	15.334	13.305
Security	13.210	10.209
Taxes and other fees	7.195	5.342
Communication	3.560	3.216
Other	57.751	35.676
	1.037.993	823.657
General administrative expenses		
Staff costs	60.516	51.892
Other	15.278	13.652
	75.794	65.544
Expenses by nature in cost of sales for the periods 1 January - 31 March 2019 and 2018 are as follows:		
	1 January - 31 March 2019	1 January - 31 March 2018
Cost of goods sold	(3.560.443)	(2.929.212)
Cost of service rendered	(6.445)	(12.426)
	(3.566.888)	(2.941.638)

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.

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NOTE 13 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 March 2019	1 January - 31 March 2018
Other operating income		
Interest income on term sales	44.545	21.012
Interest income from operating activities	11.751	11.483
Other	30.602	4.211
	86.898	36.706

	1 January - 31 March 2019	1 January - 31 March 2018
Other operating expenses		
Interest expense on term purchases	(166.130)	(79.850)
Litigation provision	(11.552)	(8.781)
Bad debt provision expense	(4.035)	(1.511)
Other	(4.715)	(6.226)
	(186.432)	(96.368)

NOTE 14 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 March 2019	1 January - 31 March 2018
Income from investing activities		
Gain on sale of property, plant and equipment	1.356	1.933
	1.356	1.933

	1 January - 31 March 2019	1 January - 31 March 2018
Expense from investing activities		
Gain on sale of property, plant and equipment	(4.917)	(4.262)
Losses from leasehold improvements of closed stores (Note 5)	(1.167)	(990)
	(6.084)	(5.252)

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NOTE 15 - FINANCIAL INCOME

	1 January- 31 March 2019	1 January- 31 March 2018
Foreign exchange gains	11.874	18.909
Interest income on bank deposits	3.539	1.114
Financial income on derivatives	6.535	-
	21.948	20.023

NOTE 16 - FINANCIAL EXPENSES

	1 January- 31 March 2019	1 January- 31 March 2018
Foreign exchange losses	(151.226)	(222.815)
Interest expense on bank borrowings	(111.793)	(69.625)
Financial expense on derivatives	-	(10)
Interest expense on leasings	(105.729)	-
Other	(13.030)	(10.593)
	(381.778)	(303.043)

NOTE 17 - TAX ASSETS AND LIABILITIES

	31 March 2019	31 December 2018
Corporate and income taxes payable	666	97.979
Less: Prepaid current income taxes	(4.641)	(52.846)
Deducted from carry forward tax losses	-	(94.610)
Carried tax receivable	(49.477)	-
Taxes on income	(53.452)	(49.477)
	31 March 2019	31 December 2018
Deferred tax assets	175.502	163.088
Deferred tax liabilities	(182.569)	(161.323)
Deferred tax (liabilities)/assets, net	(7.066)	1.765

**CONVENIENCE TRANSLATION INTO ENGLISH OF
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ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019**

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

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

NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

General Information

The Group is subject to taxation in accordance with the tax regulations and the legislation effective in the countries in which the Group companies operate. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

In Turkey, corporate tax rate is 22% (December 31, 2018 - 22%). In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 March 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

The Group calculates deferred income tax assets and liabilities based on the temporary difference between the financial statements prepared in accordance with TFRS and the financial statements prepared in accordance with TFRS. Future periods to deferred tax assets and liabilities are calculated based on the liability method on temporary differences for the rates used as of March 31, 2019 for Turkey, Kazakhstan, Bulgaria and Macedonia 22% - 20%, 20%, 10% and 10% (2018: 22% , 20%, 20% and 10%).

The details of taxation on income for the periods ended 31 March 2019 and 2018 are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Current period tax expense	(692)	(15.300)
Deferred tax income	(8.027)	6.117
Current period tax amount	(8.719)	(9.183)

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

Deferred income tax

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 31 March 2019 and 31 December 2018 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Deferred tax assets:				
Short term provisions	221.480	205.344	48.726	43.475
Inventories	153.678	148.589	33.809	32.690
Provision for employee termination benefits	156.616	145.477	31.275	29.050
Unincurred interest income	2.121	1.800	467	396
Carry forward tax losses	144.289	144.289	31.744	31.744
Fair value change of derivative financial instrument:	34.715	71.895	7.637	15.817
The effect of new and revised standards	53.483	-	11.766	-
Other	45.601	45.602	10.079	9.917
Deferred tax assets			175.502	163.088
Deferred tax liabilities:				
Property, plant and equipment, intangible assets and investment properties	(972.329)	(1.269.150)	(156.485)	(140.243)
Unincurred interest expense	(115.308)	(92.559)	(25.368)	(20.363)
Other	(3.255)	(3.581)	(716)	(717)
Deferred tax liabilities			(182.569)	(161.323)
Total deferred tax liability, net			(7.066)	1.765

	1 January- 31 March 2019	1 January- 31 March 2018
Beginning balance	1.765	(255.963)
Deferred tax expense from continuing operations	(8.027)	6.117
Cumulative translation difference	(805)	(170)
Ending balance	(7.067)	(250.016)

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NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The shareholders of the Company and their shareholdings stated at historical amounts at 31 March 2019 and 31 December 2018 are stated below:

	31 March 2019		31 December 2018	
	TL	Share (%)	TL	Share (%)
MH Perakendecilik ve Ticaret A.Ş.	89.046	49,18	89.046	49,18
Moonlight Capital S.A.	14.371	7,94	14.371	7,94
Kenan Investments S.A.	26.937	14,88	26.937	14,88
Migros Ticaret A.Ş.	2.962	1,64	2.962	1,64
Other	47.738	26,37	47.738	26,37
Total	181.054	100,00	181.054	100,00
Treasury shares (-)	(125.435)		(125.435)	

In the utilisation process of separation funds for Kipa shareholders due to the merger, Migros shares with a total nominal value of TL 2.962, corresponding to Kipa shares with a total nominal value of TL 48.998 which were converted to Migros shares due to the merger were purchased by Migros with a total amount of TL 125.435 within the scope of separation funds.

Reserves

The legal reserves consist of first and second legal reserves in accordance with the TCC. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's restated share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's restated share capital.

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Due from related parties	31 March 2019	31 December 2018
Çelik Motor Ticaret A.Ş.	260	153
Anadolu Isuzu Otomotiv Sanayi ve Tic. A.Ş.	2	368
Anadolu Motor Üretim ve Pazarlama A.Ş.	-	58
Other	100	167
	362	746

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NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Due to related parties	31 March 2019	31 December 2018
Coca Cola Satış ve Dağıtım A.Ş.	86.096	65.891
Anadolu Efes Pazarlama ve Dağıtım Ticaret A.Ş.	114.138	111.676
Adel Kalemcilik Ticaret ve San. A.Ş.	12.778	14.129
AEH Sigorta Acenteliği A.Ş.	5.242	15.868
AEH Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	4.936	6.174
Other	242	72
	223.432	213.810

b) Transactions with related parties

Inventory purchases	31 March 2019	31 March 2018
Coca Cola Satış ve Dağıtım A.Ş.	65.985	52.344
Anadolu Efes Paz. ve Dağıtım Ticaret A.Ş.	95.397	51.821
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	8.477	13.130
Adel Kalemcilik Ticaret ve San. A.Ş.	-	4.634
	169.859	121.929

Other transactions	31 March 2019	31 March 2018
Rent revenue	301	319
Rent expenses	(3.635)	(2.264)
Other income	164	75
Other expenses	(22)	(7)
Other transactions, net	(3.192)	(1.877)

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 31 March 2019 and 2018 is as follows:

	31 March 2019	31 March 2018
Short term benefits	11.889	8.879
	11.889	8.879

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

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NOTE 20 - EARNINGS/(LOSSES) PER SHARE

Basic earnings / (losses) per share is calculated by dividing net income / (loss) for the period by the weighted average number of ordinary shares outstanding during the related period.

	31 March 2019	31 March 2018
Net profit/(loss) attributable to shareholders	(230.854)	(243.668)
Weighted average number of shares with Kr1 face value each ('000)	18.105.400	17.803.000
Earnings per share	(1,28)	(1,37)

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

NOTE 21 - 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 31 March 2019, if Euro had appreciated against TRL by 20% 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 TRL 588.556.

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NOTE 21 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

	FOREIGN CURRENCY POSITION							
	31 March 2019				31 December 2018			
	Total TL equivalent	USD	Euro	Other TL equivalent	Total TL equivalent	USD	Euro	Other TL equivalent
Monetary financial assets	321.064	1.567	49.275	888	306.364	752	49.993	1.048
Trade receivables	-	-	-	-	-	-	-	-
Other	1.698	302	-	-	1.720	327	-	-
Current assets	322.762	1.868	49.275	888	308.084	1.079	49.993	1.048
Total assets	322.762	1.868	49.275	888	308.084	1.079	49.993	1.048
Financial liabilities	317.238	-	50.205	-	724.178	-	120.136	-
Non-monetary other liabilities	-	-	-	-	-	-	-	-
Current liabilities	317.238	-	50.205	-	724.178	-	120.136	-
Financial liabilities	2.936.902	-	464.788	-	2.956.734	-	490.500	-
Non-monetary other liabilities	6.359	76	939	-	6.084	81	938	-
Non-current liabilities	2.943.260	76	465.727	-	2.962.818	81	491.438	-
Total liabilities	3.260.498	76	515.932	-	3.686.996	81	611.574	-

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NOTE 21 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

	FOREIGN CURRENCY POSITION							
	31 March 2019				31 December 2018			
	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	(2.937.736)	1.792	(466.657)	888	(3.378.912)	998	(561.581)	1.048
Net foreign currency asset/(liability) position of monetary items	(2.933.075)	1.567	(465.718)	888	(3.374.548)	752	(560.643)	1.048
Fair value hedge funds of foreign currency	(34.989)	-	-	-	(67.505)	-	-	-
Hedge amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedge amount of foreign currency liabilities	(126.376)	-	(20.000)	-	(241.120)	-	(40.000)	-
Export	-	-	-	-	-	-	-	-
Import	49.389	8.775	-	-	168.013	31.936	-	-

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NOTE 21 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

Foreign currency sensitivity analysis as of 31 March 2019 and 31 December 2018 is as follows:

31 March 2019

	Gain/Loss	
	Foreign exhcange appreciation	Foreign exhcange depreciation
%20 change in Euro exchange rate		
Euro net asset/liability	(588.556)	588.556
Euro net effect	(588.556)	588.556

31 December 2018

	Gain/Loss	
	Foreign exhcange appreciation	Foreign exhcange depreciation
%20 change in Euro exchange rate		
Euro net asset/liability	(677.042)	677.042
Euro net effect	(677.042)	677.042

NOTE 22 - 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.

- 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).

NOTE 23 - SUBSEQUENT EVENTS

None.