

MİGROS TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

1 JANUARY – 30 SEPTEMBER 2019

(ORIGINALLY ISSUED IN TURKISH)

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

MİGROS TİCARET A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**CONSOLIDATED STATEMENTS OF BALANCE SHEET
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 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.)

	Notes	30 September 2019	31 December 2018
ASSETS			
Current Assets:			
Cash and cash equivalents		2.280.736	1.750.516
Financial investments		1.263	18.450
Trade receivables		167.205	121.114
<i>Trade receivables from related parties</i>	20	329	746
<i>Trade receivables from third parties</i>		166.876	120.368
Other receivables from third parties		68.450	27.584
Inventories	8	2.525.852	2.249.052
Prepaid expenses		74.529	71.897
Current income tax assets		3.524	49.477
Other current assets		5.022	10.382
Sub total		5.126.581	4.298.472
Assets held for sale		-	175.789
Total current assets		5.126.581	4.474.261
Non-current assets:			
Financial investments		1.165	1.165
Other receivables from third parties		5.516	5.480
Investment properties	4	32.325	32.325
Property, plant and equipment	5	3.773.291	3.863.042
Intangible assets		2.450.645	2.479.242
<i>Goodwill</i>		2.252.992	2.252.992
<i>Other intangible assets</i>	6	197.653	226.250
Prepaid expenses		15.349	27.581
Right-of-use assets	7	3.010.267	-
Deferred tax assets	18	-	1.765
Total non-current assets		9.288.558	6.410.600
Total assets		14.415.139	10.884.861

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**CONSOLIDATED STATEMENTS OF BALANCE SHEET
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2019 AND 2018**

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

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	Notes	30 September 2019	31 December 2018
LIABILITIES			
Current liabilities:			
Short term borrowings	9	403.238	522.435
Short term portion of long term borrowings	9	416.118	706.655
Lease liabilities		407.903	-
Trade payables		5.583.734	4.866.750
<i>Trade payables to related parties</i>	20	304.436	213.810
<i>Trade payables to third parties</i>		5.279.298	4.652.940
Employee benefits payables		175.613	131.949
Other payables to third parties		93.180	126.474
Derivative Instruments		33.201	-
Deferred income		97.301	107.468
Short term provisions		234.264	207.464
<i>Short term provisions for employee benefits</i>	11	141.657	122.848
<i>Other short term provisions</i>	10	92.607	84.616
Other current liabilities		3.258	5.724
Total current liabilities		7.447.810	6.674.919
Non-current liabilities:			
Long term borrowings	9	3.517.566	3.341.007
Lease liabilities		2.770.338	-
Other payables to third parties		12.516	11.903
Deferred income		3.527	4.570
Derivative Instruments		26.387	71.895
Long term provisions		180.729	145.477
<i>Long term provisions for employee benefits</i>	11	180.729	145.477
Deferred tax liabilities	18	1.051	-
Total non-current liabilities		6.512.114	3.574.852
Total liabilities		13.959.924	10.249.771
EQUITY			
Attributable to equity holders of parent			
Share capital		181.054	181.054
Other capital reserves		(365)	(365)
Treasury shares (-)	19	(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>		553.436	687.277
<i>property, plant and equipment</i>			
<i>- Currency translation differences</i>		136.970	132.671
Restricted reserves		23.771	9.391
Accumulated losses		(126.034)	571.060
Net income/(loss)		(202.475)	(835.558)
Non-controlling interest		1.484	2.186
Total equity		455.215	635.090
Total liabilities and equity		14.415.139	10.884.861

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**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2019 AND 2018**

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

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		1 January -	1 July-	Restated	Restated
	Notes	30 September 2019	30 September 2019	1 January -	1 July-
				30 September 2018	30 September 2018
Revenue	3, 12	17.194.551	6.463.736	13.793.931	5.330.549
Cost of sales (-)	3, 12	(12.504.457)	(4.691.503)	(10.240.489)	(3.943.594)
Gross profit		4.690.094	1.772.233	3.553.442	1.386.955
General administrative expenses (-)	13	(214.017)	(68.716)	(193.933)	(64.920)
Marketing expenses (-)	13	(3.421.247)	(1.237.731)	(2.791.364)	(1.026.818)
Other operating income	14	260.733	77.266	167.305	87.917
Other operating expense (-)	14	(618.765)	(195.320)	(449.518)	(215.841)
Operating profit		696.798	347.732	285.932	167.293
Income from investment activities	15	20.877	5.758	4.749	477
Expenses from investment activities (-)	15	(6.289)	341	(20.032)	(15.960)
Operating income before					
finance income/(expense)		711.386	353.831	270.649	151.810
Financial income	16	11.032	(7.944)	111.199	71.681
Financial expense (-)	17	(893.668)	(132.249)	(1.795.993)	(1.124.887)
Net (loss) / income before tax from					
continuing operations		(171.250)	213.638	(1.414.145)	(901.396)
Tax expense from continuing operations		(31.148)	(34.750)	207.623	234.433
- Income tax expense	18	(8.028)	(6.789)	(31.202)	6.666
- Deferred tax income / (expense)	18	(23.120)	(27.961)	238.825	227.767
Net (loss) / income		(202.398)	178.888	(1.206.522)	(666.963)
Net (loss) / income attributable to:					
- Non-controlling interest		77	4	87	3.380
- Equity holders of parent	21	(202.475)	178.884	(1.206.609)	(670.343)
(Loss) / Earning per share TRL	21	(1,12)	0,99	(6,66)	(3,70)

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**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2019 AND 2018**

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

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	1 January - 30 September 2019	1 July- 30 September 2019	Restated 1 January - 30 September 2018	Restated 1 July- 30 September 2018
Net (loss) / income for the period	(202.398)	178.888	(1.206.522)	(666.963)
Other comprehensive income/(loss):	22.523	10.890	51.131	30.039
Items that may be reclassified subsequently				
- Defined benefit plan re-measurement gains / (losses), net off tax	-	-	(4.585)	(4.585)
- Revaluation fund of property, plant and equipment	19.003	19.003	(5.798)	(5.798)
Items to be reclassified to profit or loss				
-Currency translation differences	3.520	(8.113)	61.514	40.422
Other comprehensive income / (loss), after tax	22.523	10.890	51.131	30.039
Total comprehensive income / (loss)	(179.875)	189.778	(1.155.391)	(636.924)
Total comprehensive (loss) / income attributable to:				
-Non-controlling interests	(702)	(187)	689	3.785
-Equity holders of parent	(179.173)	189.965	(1.156.080)	(640.709)

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 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 income/ expenses to be reclassified to profit or loss	Retained earnings					
	Share capital	Other capital reserves	Tresuary shares	Additional contribution to share capital	Defined benefit plans re-measurement losses	Cumulative translation losses	Restricted reserves	Accumulated gain/ (losses)	Net (loss) / income for the period	Attributable to equity holders of the parents	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	3.024	-	-	(5.238)	3.681	-	9.391	557.419	(512.706)	55.571	(55.571)	-
Decrease due to redemption of shares (Note 19)	-	-	(125.435)	-	-	-	-	-	-	(125.435)	-	(125.435)
Total comprehensive income	-	-	-	-	(10.383)	60.912	-	-	(1.206.609)	(1.156.080)	689	(1.155.391)
Net income for the period	-	-	-	-	-	-	-	-	(1.206.609)	(1.206.609)	87	(1.206.522)
Cumulative translation differences	-	-	-	-	-	60.912	-	-	-	60.912	602	61.514
Defined benefit plans re-measurement gains	-	-	-	-	(10.383)	-	-	-	-	(10.383)	-	(10.383)
Balances at 30 September 2018	181.054	(365)	(125.435)	22.074	728.314	106.223	9.391	529.903	(1.206.609)	244.550	1.772	246.322
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	-	-	-	-	(152.844)	-	14.380	(697.094)	835.558	-	-	-
Total comprehensive income	-	-	-	-	19.003	4.299	-	-	(202.475)	(179.173)	(702)	(179.875)
Net income for the period	-	-	-	-	-	-	-	-	(202.475)	(202.475)	77	(202.398)
Cumulative translation differences	-	-	-	-	-	4.299	-	-	-	4.299	(779)	3.520
Defined benefit plans re-measurement gains	-	-	-	-	19.003	-	-	-	-	19.003	-	19.003
Balances at 30 September 2019	181.054	(365)	(125.435)	22.074	544.171	136.970	23.771	(126.034)	(202.475)	453.731	1.484	455.215

In 2019, Group has sold real estates which it is classified as held for sale, land and buildings with a net book value of TL 271.653 ,TL 15.653 of net profit arising from these transactions is recognised in the consolidated profit or loss statement and TL 147.448 amount transferred to the retained earnings from the revaluation and measurement records.

In 2019, TL 5.396 depreciation amount transferred from revaluation and measurement to the previous year's profit / loss account.

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

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**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2019 AND 2018**

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

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		1 January -	Restated
	Notes	30 September 2019	1 January - 30 September 2018
Cash flow from operating activities:			
Net (loss) / income for the period		(202.398)	(1.206.522)
Adjustments related to reconciliation of (loss) / profit		1.969.591	2.138.651
Adjustments for depreciation and amortisation expenses	13	637.357	219.857
Adjustments for impairment on receivables	14	11.436	4.887
Adjustments for inventory provisions		21.263	8.538
Adjustments for impairment on property, plant and equipment	15	2.374	17.260
Adjustments for provision for employee benefits	11	91.464	79.391
Adjustments for provision for litigation	10	12.946	23.971
Adjustments for interest income		(68.680)	(56.763)
Adjustments for interest expense		704.389	254.521
Adjustments for deferred financing due to forward purchases expenses	14	569.990	400.743
Adjustments for unearned finance income from sales	14	(152.250)	(103.876)
Adjustments for unrealized foreign exchange losses related to bank borrowings	9	93.753	1.506.935
Adjustments for fair value losses arising from derivatives		31.363	(7.213)
Adjustments for income tax expense	18	31.148	(207.623)
Loss on sale of property plant and equipment	15	(16.962)	(1.977)
Changes in net working capital		518.592	683.452
Adjustments for increase in trade receivables		(58.011)	(42.007)
Adjustments for increase in inventories		(298.063)	(58.419)
Adjustments for increase in other receivables related with operations		61.703	18.037
Adjustments for increase in trade payables		783.844	778.968
Adjustments for increase in other payables related with operations		29.119	(13.127)
Cash flows from operating activities		2.285.785	1.615.581
Employee benefits paid	11	(37.403)	(32.982)
Interest received		213.354	157.259
Interest paid		(617.847)	(437.475)
Taxes paid		(12.559)	(105.556)
Other provisions paid	10	(14.072)	(8.391)
Net cash provided by operating activities		1.817.258	1.188.436

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		1 January -	Restated
	Notes	30 September 2019	1 January -
			30 September 2018
Cash flows from investing activities:			
Cash outflows from the purchase of investment properties, tangible and intangible assets		(207.670)	(369.980)
Cash inflows from the sale of tangible and intangible assets		211.389	50.771
Net cash used in investing activities		3.719	(319.209)
Cash flows from financing activities			
Proceeds from borrowings	9	570.200	273.840
Repayment of borrowings	9	(934.118)	(575.109)
Acquisition of treasury shares		-	(125.435)
Repayment of derivative instruments		(43.669)	(282)
Interest received	16	8.060	3.093
Interest paid		(334.747)	(194.326)
Cashoutflows from payments of rent agreements		(560.337)	-
Net cash provided by financing activities		(1.294.611)	(618.219)
Impact of foreign currency translation differences on cash and cash equivalents		3.854	(14.724)
Net (decrease) / increase in cash and cash equivalents		530.220	236.284
Cash and cash equivalents at the beginning of period		1.750.516	1.617.380
Cash and cash equivalents at the end of period		2.280.736	1.853.664

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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 September 30, 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%.

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 30 September 2019, the Group operates in 2,165 stores in total (31 December 2018: 2,103) which comprise 1,505,074 m2 from 2,144 retail stores and comprise 12,047 m2 from 21 wholesale stores with a total net space of 1,517,121 m2 (31 December 2018: 1,497,345 m2). As of 30 September 2019, the Group employed 32,114 people (31 December 2018: 28,990) 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 5 November 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:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Geographical segment</u>	<u>Nature of business</u>	<u>September</u>	<u>December</u>
				<u>2019</u>	<u>2018</u>
				<u>(%)</u>	<u>(%)</u>
Ramstore Bulgaria E.A.D. (“Ramstore Bulgaria”)	Bulgaria	Bulgaria	Dormant	100	100
Ramstore Kazakhstan LLC (“Ramstore Kazakhstan”)	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 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 10, 22).

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 30 September 2018, the logistic expenses amounting to TL 273.447 thousand classified in marketing expenses have been reclassified to cost of goods sold, depreciation expenses amounting to TL 219.857 thousand classified in general administrative expenses have been reclassified to marketing expenses as of 30 September 2019 in order to comply with current period consolidated financial statements. The consolidated income statement for the period ended September 30, 2018 was revised by increasing TL 3.658 thousand in marketing expenses and TL 11.485 thousand in general administrative expenses and decreasing TL 3.331 thousand in tax 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 September 30, 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 | <i>Plan Amendment, Curtailment or Settlement Benefits</i> |
| - Standards 2015–2017 Cycle | <i>IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</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
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 (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
STATEMENTS (Continued)**

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 30 September 2019 are as follows:

	Amounts after changes in accounting policy		Before changes in accounting policy
	30 September 2019	IFRS 16 Effect	30 September 2019
ASSETS			
Current Assets:			
Cash and cash equivalents	2.280.736	-	2.280.736
Financial investments	1.263	-	1.263
Trade receivables	167.205	-	167.205
Trade receivables from related parties	329	-	329
Trade receivables from third parties	166.876	-	166.876
Other receivables from third parties	68.450	-	68.450
Inventories	2.525.852	-	2.525.852
Prepaid expenses	74.529	-	74.529
Other current assets	5.022	-	5.022
Current income tax assets	3.524	-	3.524
Total current assets	5.126.581	-	5.126.581
Non-current assets:			
Financial investments	1.165	-	1.165
Other receivables from third parties	5.516	-	5.516
Investment properties	32.325	-	32.325
Property, plant and equipment	3.773.291	-	3.773.291
Intangible assets	2.450.645	-	2.450.645
Goodwill	2.252.992	-	2.252.992
Other intangible assets	197.653	-	197.653
Prepaid expenses	15.349	(8.955)	24.304
Right-of-use assets	3.010.267	3.010.267	-
Deferred tax assets	-	-	-
Total non-current assets	9.288.558	3.001.312	6.287.246
Total assets	14.415.139	3.001.312	11.413.827

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

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
	30 September 2019	IFRS 16 Effect	30 September 2019
LIABILITIES			
Current liabilities:			
Short term portion of long term borrowings	416.118	-	416.118
Short term borrowings	403.238	-	403.238
Lease liabilities	407.903	407.903	-
Trade payables	5.583.734	-	5.583.734
Trade payables to related parties	304.436	-	304.436
Trade payables to third parties	5.279.298	-	5.279.298
Employee benefits payables	175.613	-	175.613
Other payables to third parties	93.180	-	93.180
Derivative Instruments	33.201	-	33.201
Deferred income	97.301	-	97.301
Short term provisions	234.264	-	234.264
Short term provisions for employee benefits	141.657	-	141.657
Other short term provisions	92.607	-	92.607
Other current liabilities	3.258	-	3.258
Total current liabilities	7.447.810	407.903	7.039.907
Non-current liabilities:			
Long term borrowings	3.517.566	-	3.517.566
Lease liabilities	2.770.338	2.770.338	-
Other payables to third parties	12.516	-	12.516
Derivative Instruments	26.387	-	26.387
Deferred income	3.527	-	3.527
Long term provisions	180.729	-	180.729
Long term provisions for employee benefits	180.729	-	180.729
Deferred tax liabilities	1.051	(32.855)	33.906
Total non-current liabilities	6.512.114	2.737.483	3.774.631
Total liabilities	13.959.924	3.145.386	10.814.538
EQUITY			
Attributable to equity holders of parent	453.731	(144.074)	597.805
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
(losses)	(9.265)	-	(9.265)
-Revaluation fund of property, plant and equipment	553.436	-	553.436
-Currency translation differences	136.970	-	136.970
Restricted reserves	23.771	-	23.771
Accumulated losses	(126.034)	-	(126.034)
Net income/(loss)	(202.475)	(144.074)	(58.401)
Non-controlling interest	1.484	-	1.484
Total equity	455.215	(144.074)	599.289
Total liabilities and equity	14.415.139	3.001.312	11.413.827

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

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
	30 September 2019	TFRS 16 Effect	30 September 2019
Revenue	17.194.551	-	17.194.551
Cost of sales (-)	(12.504.457)	62.426	(12.566.883)
Gross profit	4.690.094	62.426	4.627.668
General administrative expenses (-)	(214.017)	-	(214.017)
Marketing expenses (-)(*)	(3.421.247)	94.678	(3.515.925)
Other operating income	260.733	-	260.733
Other operating expense (-)	(618.765)	411	(619.176)
Operating profit	696.798	157.515	539.283
Income from investment activities	20.877	-	20.877
Expenses from investment activities (-)	(6.289)	-	(6.289)
Operating income before finance income/(expense)	711.386	157.515	553.871
Financial income	11.032	-	11.032
Financial expense (-)	(893.668)	(334.445)	(559.223)
Net (loss) / income before tax from continuing operations	(171.250)	(176.930)	5.680
Tax expense from continuing operations	(31.148)	32.855	(64.003)
- Income tax expense	(8.028)	-	(8.028)
- Deferred tax income / (expense)	(23.120)	32.855	(55.975)
Net (loss) / income	(202.398)	(144.075)	(58.323)

Impact of TFRS 16 effect on marketing expenses of TL 94.678 includes rent expenses which is TL 497.911 and depreciation expense which is also TL 403.233

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:

	1 January 2019
Properties	2.964.373
Total right-of-use assets	2.964.373

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by TL 2.964.373
- Short term lease liabilities – increase by TL 323.954
- Long term lease liabilities – increase by TL 2.561.867

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

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

2.2 New and Revised Turkish Accounting Standards (Continued)

New and revised IFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 3	<i>Business Combinations</i>
Amendments to IAS 1	<i>Presentation of Financial Statements</i>
Amendments to IAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to IFRS 3 Business Combinations

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in IFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.

An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

**Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies,
Changes in Accounting Estimates and Errors - Definition of Material**

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

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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 30 September 2019 and 2018 is as follows:

Segment analysis for the period 1 January - 30 September 2019

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External Revenues	16.761.399	433.152	17.194.551	-	17.194.551
Inter segment revenues	3.721	-	3.721	(3.721)	-
Sales revenue	16.765.120	433.152	17.198.272	(3.721)	17.194.551
Cost of sales	(12.188.972)	(319.206)	(12.508.178)	3.721	(12.504.457)
Gross profit	4.576.148	113.946	4.690.094	-	4.690.094
Selling and marketing expenses	(3.345.822)	(75.425)	(3.421.247)	-	(3.421.247)
General administrative expenses	(182.809)	(31.208)	(214.017)	-	(214.017)
Addition: Depreciation and amortisation expenses	622.469	14.888	637.357	-	637.357
Addition: Provision for termination benefits	35.240	12	35.252	-	35.252
Addition: Termination benefits paid	27.647	-	27.647	-	27.647
Addition: Provision for Unused vacation	18.809	-	18.809	-	18.809
EBITDA (Including the new and revised standards)	1.751.682	22.213	1.773.895	-	1.773.895
The effect of new and revised standards (Note 2.2)	(560.337)	-	(560.337)	-	(560.337)
EBITDA	1.191.345	22.213	1.213.558	-	1.213.558
Rent Expense	771.670	27.634	799.304	-	799.304
EBITDAR	1.963.015	49.847	2.012.862	-	2.012.862

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NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 January - 30 September 2018

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External Revenues	13.413.081	380.850	13.793.931	-	13.793.931
Inter segment revenues	3.844	-	3.844	(3.844)	-
Sales revenue	13.416.925	380.850	13.797.775	(3.844)	13.793.931
Cost of sales	(9.960.147)	(284.186)	(10.244.333)	3.844	(10.240.489)
Gross profit	3.456.778	96.664	3.553.442	-	3.553.442
Selling and marketing expenses	(2.728.144)	(63.220)	(2.791.364)	-	(2.791.364)
General administrative expenses	(165.394)	(28.539)	(193.933)	-	(193.933)
Addition: Depreciation and amortisation expenses	208.763	11.094	219.857	-	219.857
Addition: Provision for termination benefits	30.892	183	31.075	-	31.075
Addition: Termination benefits paid	24.275	-	24.275	-	24.275
Addition: Provision for Unused vacation	15.334	-	15.334	-	15.334
EBITDA	842.504	16.182	858.686	-	858.686
Rent Expense	629.600	23.494	653.094	-	653.094
EBITDAR	1.472.104	39.676	1.511.780	-	1.511.780

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NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 July - 30 September 2019

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External Revenues	6.320.619	143.117	6.463.736	-	6.463.736
Inter segment revenues	1.054	-	1.054	(1.054)	-
Sales revenue	6.321.673	143.117	6.464.790	(1.054)	6.463.736
Cost of sales	(4.587.479)	(105.078)	(4.692.557)	1.054	(4.691.503)
Gross profit	1.734.194	38.039	1.772.233	-	1.772.233
Selling and marketing expenses	(1.212.226)	(25.505)	(1.237.731)	-	(1.237.731)
General administrative expenses	(57.705)	(11.011)	(68.716)	-	(68.716)
Addition: Depreciation and amortisation expenses	212.187	5.737	217.924	-	217.924
Addition: Provision for termination benefits	3.283	(27)	3.256	-	3.256
Addition: Termination benefits paid	8.811	-	8.811	-	8.811
Addition: Provision for Unused vacation	1.844	-	1.844	-	1.844
EBITDA (Including the new and revised standards)	690.388	7.233	697.621	-	697.621
The effect of new and revised standards (Note 2.2) (*)	(194.452)	-	(194.452)	-	(194.452)
EBITDA	495.936	7.233	503.169	-	503.169
Rent Expense	281.217	9.231	290.448	-	290.448
EBITDAR	777.153	16.464	793.617	-	793.617

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NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 July - 30 September 2018

	Turkey	Other countries	Combined total	Intersegment eliminations	Total
External Revenues	5.180.097	150.452	5.330.549	-	5.330.549
Inter segment revenues	1.823	-	1.823	(1.823)	-
Sales revenue	5.181.920	150.452	5.332.372	(1.823)	5.330.549
Cost of sales	(3.833.912)	(111.505)	(3.945.417)	1.823	(3.943.594)
Gross profit	1.348.008	38.947	1.386.955	-	1.386.955
Selling and marketing expenses	(1.008.645)	(18.173)	(1.026.818)	-	(1.026.818)
General administrative expenses	(47.180)	(17.740)	(64.920)	-	(64.920)
Addition: Depreciation and amortisation expenses	73.894	4.126	78.020	-	78.020
Addition: Provision for termination benefits	6.716	(221)	6.495	-	6.495
Addition: Termination benefits paid	7.649	-	7.649	-	7.649
Addition: Provision for Unused vacation	(4.622)	-	(4.622)	-	(4.622)
EBITDA	375.820	6.939	382.759	-	382.759
Rent Expense	233.374	9.352	242.726	-	242.726
EBITDAR	609.194	16.291	625.485	-	625.485

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NOTE 3 - SEGMENT REPORTING (Continued)

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

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
EBITDAR reported segments	2.012.862	793.617	1.511.780	625.485
Rent expenses	(799.304)	(290.448)	(653.094)	(242.726)
The effect of new and revised standards (Note 2.2)	560.337	194.452	-	-
EBITDA reported segments	1.773.895	697.621	858.686	382.759
Depreciation and amortisation	(637.357)	(217.924)	(219.857)	(78.020)
Provision for employment termination benefits	(35.252)	(3.256)	(31.075)	(6.495)
Termination benefits paid	(27.647)	(8.811)	(24.275)	(7.649)
Provision for unused vacation liability	(18.809)	(1.844)	(15.334)	4.622
Other operating income	260.733	77.266	167.305	87.917
Other operating expense (-)	(618.765)	(195.320)	(449.518)	(215.841)
Operating profit	696.798	347.732	285.932	167.293
Income from investing activities	20.877	5.758	4.749	477
Expense from investing activities (-)	(6.289)	341	(20.032)	(15.960)
Operating profit before finance income	711.386	353.831	270.649	151.810
Financial income	11.032	(7.944)	111.199	71.681
Financial expense (-)	(893.668)	(132.249)	(1.795.993)	(1.124.887)
Income/(loss) before tax	(171.250)	213.638	(1.414.145)	(901.396)

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NOTE 4 - INVESTMENT PROPERTY

	1 January 2019	Additions	Transfers	Cumulative translation differences	30 September 2019
Cost					
Land and buildings	32.325	-	-	-	32.325
Net book value	32.325				32.325

As of 31 December 2018 , investment properties are measured at fair value determined by independent valuation experts, Nova Taşınmaz Değerleme A.Ş. Investment properties are presented with their fair value. As of 30 September 2019, the group management concluded that there is no significant difference between the fair value and cost of assets. Therefore no revaluation is performed as of 30 September 2019.

As of 30 September 2019, Investment properties of the Group consist of leased space to other retailers in Kipa Muğla Marmaris Shopping Mall in Turkey.

	1 January 2018	Additions	Transfers	Cumulative translation differences	30 September 2018
Cost					
Land and buildings	342.731	9.170	6.679	39.136	397.716
Net book value	342.731				397.716

There is no mortgage or pledge on the investment properties of the Group as of 30 September 2019.

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipments period ended at 30 September 2019 is as follows;

	1 January 2019	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	30 September 2019
Cost							
Land	1.458.276	-	(40.314)	-	-	350	1.418.312
Buildings	1.017.439	9.315	(55.580)	-	7.975	4.705	983.854
Leasehold improvements	844.539	28.640	(694)	(16.244)	7.985	1.256	865.482
Machinery and equipments	1.168.600	45.517	(13.023)	-	29.418	2.594	1.233.106
Motor vehicles	6.397	-	-	-	-	70	6.467
Furniture and fixtures	786.762	24.306	(3.406)	-	12.186	1.721	821.569
Construction in progress	37.381	84.344	-	-	(62.898)	871	59.698
	5.319.394	192.122	(113.017)	(16.244)	(5.334)	11.567	5.388.488
Accumulated depreciation							
Buildings	-	(24.265)	741	-	-	(500)	(24.024)
Leasehold improvements	(404.733)	(50.605)	278	13.870	-	(463)	(441.653)
Machinery and equipments	(592.706)	(73.267)	11.758	-	(46)	(1.758)	(656.019)
Motor vehicles	(1.439)	(646)	-	-	-	(34)	(2.119)
Furniture and fixture	(457.474)	(35.480)	2.651	-	(333)	(746)	(491.382)
	(1.456.352)	(184.263)	15.428	13.870	(379)	(3.501)	(1.615.197)
Net book value	3.863.042		(97.589)	(2.374)	(5.713)	8.066	3.773.291

(*) Impairment loss amounting to TRL 2,374 consists of leasehold improvements of the stores closed in 2019 (Note:15).

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement of property, plant and equipments period ended at 30 September 2018 is as follows;

	1 January 2018	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	30 September 2018
Cost							
Land	1.454.789	-	-	-	-	-	1.454.789
Buildings	1.016.356	3.599	-	(5.798)	(57.397)	32.550	989.310
Leasehold improvements	772.842	36.329	(123)	(8.368)	11.053	7.511	819.244
Machinery and equipments	1.019.860	57.072	(17.617)	-	61.410	18.821	1.139.546
Motor vehicles	9.848	231	(6.083)	-	7.917	1.065	12.978
Furniture and fixtures	710.387	31.694	(13.082)	-	24.141	19.866	773.006
Construction in progress	33.511	126.451	-	-	(120.521)	2.966	42.407
	5.017.593	255.376	(36.905)	(14.166)	(73.397)	82.779	5.231.280
Accumulated depreciation							
Buildings	-	(20.691)	-	-	1.285	(13.407)	(32.813)
Leasehold improvementsc	(341.343)	(50.249)	120	5.550	-	(5.018)	(390.940)
Machinery and equipments	(516.094)	(68.218)	14.872	-	(75)	(13.934)	(583.449)
Motor vehicles	(6.237)	(555)	5.915	-	-	(486)	(1.363)
Furniture and fixture	(413.631)	(37.570)	11.272	-	(288)	(13.624)	(453.841)
	(1.277.305)	(177.283)	32.179	5.550	922	(46.469)	(1.462.406)
Net book value	3.740.288		(4.726)	(8.616)	(72.475)	36.310	3.768.874

(*) Impairment loss amounting to TL 2,818 consists of leasehold improvements of the stores closed in 2018 (Note:15).

There are no mortgages on property, plant and equipment as of September 30, 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 30 September 2019 and 2018 is as follows;

	1 January 2019	Additions	Impairment loss	Transfers	Cumulative translation differences	30 September 2019
Cost						
Trademark	2.787	-	-	-	-	2.787
Rent agreements	39.131	-	-	-	-	39.131
Rights	373.595	15.548	-	-	665	389.808
Other intangible assets	163.627	-	-	5.713	-	169.340
	579.140	15.548	-	5.713	665	601.066
Accumulated						
Rent agreements	(34.355)	(786)	-	-	-	(35.141)
Rights	(234.169)	(34.878)	-	-	(661)	(269.708)
Other intangible assets	(84.366)	(14.198)	-	-	-	(98.564)
	(352.890)	(49.862)	-	-	(661)	(403.413)
Net book value	226.250					197.653

	1 January 2018	Additions	Impairment loss	Transfers	Cumulative translation differences	30 September 2018
Cost						
Trademark	17.229	-	(14.442)	-	-	2.787
Rent agreements	39.131	-	-	-	-	39.131
Rights	303.116	35.234	-	9.687	4.316	352.353
Other intangible assets	93.239	70.200	-	-	-	163.439
	452.715	105.434	(14.442)	9.687	4.316	557.710
Accumulated						
Rent agreements	(31.743)	(2.175)	-	-	-	(33.918)
Rights	(187.242)	(32.979)	-	(3)	(3.127)	(223.351)
Other intangible assets	(73.043)	(7.420)	-	-	-	(80.463)
	(292.028)	(42.574)	-	(3)	(3.127)	(337.732)
Net book value	160.687					219.978

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

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NOTE 7- RIGHT OF USE ASSET

	1 January 2019	The effect of changes in accounting policy (Note 2.2)	Additions	Impairment Disposals	30 September 2019
Cost					
Buildings	-	2.964.373	463.195	(14.068)	3.413.500
	-	2.964.373	463.195	(14.068)	3.413.500
Accumulated depreciation					
Buildings	-	-	(403.233)	-	(403.233)
	-	-	(403.233)	-	(403.233)
Net book value	-		59.962	(14.068)	3.010.267

NOTE 8 - INVENTORIES

	30 September 2019	31 December 2018
Raw materials	14.256	13.640
Work in progress	45.507	47.466
Merchandise stocks	2.506.500	2.207.748
Other	4.055	3.401
Less: Provision for net realizable value	(44.466)	(23.203)
	2.525.852	2.249.052

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NOTE 9 - FINANCIAL LIABILITIES

	30 September 2019		
	Effective interest rate (%)	In original currency	Total TRL equivalent
Short term borrowings			
With fixed interest rate - TRL	31,52	403.238	403.238
Total short term borrowings			403.238
Current portion of long term borrowings			
With floating interest rate - EUR	5,26	19.477	120.440
With fixed interest rate - TRL	19,32	251.066	251.066
With floating interest rate - TRL	26,76	41.892	41.892
With fixed interest rate - Tenge	11,58	186.281	2.720
Total current portion of long term borrowings			416.118
Total current bank borrowings			819.356
Non-current bank borrowings			
With floating interest rate - EUR	5,26	443.011	2.739.401
With fixed interest rate - TRL	19,32	366.530	366.530
With floating interest rate - TRL	26,76	358.352	358.352
With fixed interest rate - Tenge	11,58	3.649.690	53.283
Total non-current bank borrowings			3.517.566
Total financial liabilities			4.336.922

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NOTE 9 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of bank borrowings with effective interest rate at 30 September 2019 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total TRL equivalent
1 October 2019 - 30 September 2020	2.720	120.440	696.196	819.356
1 October 2020 - 30 September 2021	13.531	840.554	393.351	1.247.436
1 October 2021 - 30 September 2022	17.650	903.749	129.504	1.050.903
1 October 2022 - 30 September 2023	14.682	995.098	133.624	1.143.404
1 October 2023 - 12 September 2024	7.420	-	68.403	75.823
	56.003	2.859.841	1.421.078	4.336.922

The fair value of bank borrowings at 30 September 2019 is TRL 4.438.870.

The redemption schedule of principal amounts of bank borrowings at 30 September 2019 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL loan	Total TRL equivalent
1 October 2019 - 30 September 2020	2.274	-	640.969	643.243
1 October 2020 - 30 September 2021	13.530	770.042	199.522	983.094
1 October 2021 - 30 September 2022	17.650	929.342	193.256	1.140.248
1 October 2022 - 30 September 2023	14.682	1.141.773	190.980	1.347.435
1 October 2023 - 12 September 2024	7.420	-	148.080	155.500
	55.556	2.841.157	1.372.807	4.269.520

The Group has obligation to meet various financial covenants according to loan agreement related to bank borrowings. As of 30 September 2019 the Group has met defined financial covenants requirements.

The movement schedule of borrowings as of 30 September 2019 is as follows;

	1 January- 30 September 2019	1 January- 30 September 2018
Beginning balance	4.570.097	3.912.474
Proceeds of borrowings	570.200	273.840
Payments	(934.118)	(575.109)
Foreign exchange losses	93.753	1.506.935
Interest accrual	36.990	59.487
Closing	4.336.922	5.177.627

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NOTE 9 - 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 9 - 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 10 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions	30 September 2019	31 December 2018
Provision for litigation	81.370	82.496
Provisions for customer loyalty programs	8.801	1.492
Other	2.436	628
	92.607	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 - 30 September 2019	1 January - 30 September 2018
Beginning balance	82.496	61.594
Increase during period	12.946	23.971
Payments during period	(14.072)	(8.391)
Ending balance	81.370	77.174

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**NOTE 10 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND
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Collaterals, Pledges, Mortgages

30 September 2019:

	TL equivalent	TL	USD	EUR
A. CPM given on behalf of the Company's legal personality	184.360	177.270	1.253	-
B. CPM given on behalf of fully consolidated subsidiaries	53.283	-	9.415	-
Total collaterals, pledges and mortgages	237.643	177.270	10.668	-
Proportion of the other CPM's to equity (%)	0%			

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	-
Total collaterals, pledges and mortgages	227.679	168.898	11.173	-
Proportion of the other CPM's to equity (%)	0%			

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**NOTE 10 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND
LIABILITIES (Continued)**

Contingent assets and liabilities

Guarantees given at 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019	31 December 2018
Letter of guarantees given	237.643	227.679
	237.643	227.679

Guarantees received at 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019	31 December 2018
Guarantees obtained from customers	162.380	142.094
Mortgages obtained from customers	73.601	11.936
	235.981	154.030

NOTE 11 - PROVISION FOR EMPLOYEE BENEFITS

	30 September 2019	31 December 2018
Provision for employee termination benefits	180.729	145.477
Provision for unused vacation	141.657	122.848
	322.386	268.325

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NOTE 11 - PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movement of unused vacation provision at 30 September 2019 and 30 September 2018 is as follows:

	2019	2018
Beginning balance	122.848	110.855
Increase during period	28.565	24.041
Recovered during period	(9.756)	(8.707)
Ending balance	141.657	126.189

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

	2019	2018
Beginning balance	145.477	117.753
Increase during period	62.899	55.350
Payments during period	(27.647)	(24.275)
Actuarial gain	-	5.786
Ending balance	180.729	154.614

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 September 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 6.379,86 effective from 1 July 2019 has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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NOTE 12 - REVENUE

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Domestic sales	17.104.975	6.438.627	13.751.258	5.287.993
Foreign sales	430.111	142.012	378.231	149.297
Other sales	24.449	8.341	15.362	6.939
Gross sales	17.559.535	6.588.980	14.144.851	5.444.229
Discounts and returns (-)	(364.984)	(125.244)	(350.919)	(113.680)
Sales revenue, net	17.194.551	6.463.736	13.793.932	5.330.549
Cost of sales	(12.504.457)	(4.691.503)	(10.240.489)	(3.943.594)
Gross profit	4.690.094	1.772.233	3.553.443	1.386.955

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

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Retail sales revenue	16.781.141	6.321.252	13.574.842	5.230.939
Wholesale revenue	570.707	195.908	388.987	147.421
Rent income	183.238	63.479	165.659	58.929
	17.535.086	6.580.639	14.129.488	5.437.289

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NOTE 13 - EXPENSE BY NATURE

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Total				
Staff costs	1.742.214	613.519	1.398.017	493.235
Depreciaton and amortisation	637.357	217.924	219.857	78.020
Rent and common area	342.762	134.136	688.079	254.585
Energy	276.730	114.416	192.211	88.702
Porterage and cleaning	122.679	44.832	92.201	34.321
Advertising	88.023	29.159	83.849	24.999
Mechanisation	72.094	25.460	39.889	15.081
Repair and maintenance	59.458	22.779	50.345	18.763
Security	43.467	16.081	33.915	11.944
Taxes and other fees	19.460	6.255	19.801	7.909
Communication	12.150	4.219	11.546	4.284
Other	218.870	77.667	155.587	59.895
	3.635.264	1.306.447	2.985.297	1.091.738

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NOTE 13 - EXPENSE BY NATURE (Continued)

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Marketing expenses				
Staff costs	1.577.207	561.190	1.246.654	444.113
Depreciation and amortisation	637.357	217.924	219.857	78.020
Rent and common area	341.961	133.846	687.606	254.441
Energy	273.978	113.316	190.378	87.810
Porterage and cleaning	119.300	43.620	89.503	33.389
Advertising	88.000	29.158	83.788	24.974
Mechanisation	65.367	23.243	34.638	14.028
Repair and maintenance	57.912	22.158	49.237	18.368
Security	41.879	15.572	32.356	11.386
Taxes and other fees	18.149	5.748	17.193	6.203
Communication	10.402	3.615	10.077	3.780
Other	189.735	68.341	130.077	50.306
	3.421.247	1.237.731	2.791.364	1.026.818
General administrative expenses				
Staff costs	165.007	52.329	151.363	49.122
Other	49.010	16.387	42.570	15.798
	214.017	68.716	193.933	64.920

Expenses by nature in cost of sales for the periods 1 January - 30 September 2019 and 2018 are as follows:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Cost of goods sold	(12.472.420)	(4.682.486)	(10.184.193)	(3.911.613)
Cost of service rendered	(32.037)	(9.017)	(56.296)	(31.981)
	(12.504.457)	(4.691.503)	(10.240.489)	(3.943.594)

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 14 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Other operating income				
Interest income on term sales	152.250	47.733	103.876	54.841
Interest income from operating	60.620	25.522	53.670	30.314
Other	47.863	4.011	9.759	2.762
	260.733	77.266	167.305	87.917

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Other operating expenses				
Interest expense on term purchases	(569.990)	(180.943)	(400.743)	(195.436)
Litigation provision	(20.675)	(4.335)	(23.971)	(9.924)
Bad debt provision expense	(11.436)	(3.800)	(4.887)	(2.514)
Other	(16.664)	(6.242)	(19.917)	(7.967)
	(618.765)	(195.320)	(449.518)	(215.841)

NOTE 15 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Income from investing activities				
Gain on sale of property, plant and equipment	20.877	5.758	4.749	477
	20.877	5.758	4.749	477

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Expense from investing activities				
Gain on sale of property, plant and equipment	(3.915)	432	(2.772)	(200)
Losses from leasehold improvements of closed stores (Note 5)	(2.374)	(91)	(2.818)	(1.318)
Losses from impairment of intangible assets	-	-	(14.442)	(14.442)
	(6.289)	341	(20.032)	(15.960)

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NOTE 16 - FINANCIAL INCOME

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Foreign exchange gains	2.972	(10.294)	100.611	63.334
Interest income on bank deposits	8.060	2.350	3.093	852
Financial income on derivatives	-	-	7.495	7.495
	11.032	(7.944)	111.199	71.681

NOTE 17 - FINANCIAL EXPENSES

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Foreign exchange losses	(112.344)	152.545	(1.508.360)	(1.006.822)
Interest expense on bank borrowings	(369.944)	(118.289)	(254.521)	(108.625)
Financial expense on derivatives	(31.363)	(28.404)	(282)	(270)
Interest expense on leaseings	(334.445)	(116.254)	-	-
Other	(45.572)	(21.847)	(32.830)	(9.170)
	(893.668)	(132.249)	(1.795.993)	(1.124.887)

NOTE 18 - TAX ASSETS AND LIABILITIES

	30 September 2019	31 December 2018
Corporate and income taxes payable	8.118	97.979
Less: Prepaid current income taxes	(11.642)	(52.846)
Deducted from carry forward tax losses	-	(94.610)
Taxes on income	(3.524)	(49.477)

	30 September 2019	31 December 2018
Deferred tax assets	165.124	163.088
Deferred tax liabilities	(166.175)	(161.323)
Deferred tax (liabilities)/assets, net	(1.051)	1.765

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NOTE 18 - 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 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 30 September 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 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 September 30, 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 30 September 2019 and 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
Current period tax expense	(8.028)	(31.202)
Deferred tax income	(23.120)	238.825
Current period tax amount	(31.148)	207.623

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NOTE 18 - 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 30 September 2019 and 31 December 2018 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Deferred tax assets:				
Short term provisions	223.027	205.344	49.066	43.475
Inventories	137.759	148.589	30.307	32.690
Provision for employee termination benefits	180.729	145.477	36.099	29.050
Unincurred interest income	2.284	1.800	503	396
Carry forward tax losses	-	144.289	-	31.744
Fair value change of derivative financial instruments	59.588	71.895	13.109	15.817
The effect of new and revised standards	149.343	-	32.855	-
Other	14.267	45.602	3.185	9.916
Deferred tax assets	766.997	762.996	165.124	163.088
Deferred tax liabilities:				
Property, plant and equipment, intangible				
assets and investment properties	(987.227)	(1.269.150)	(132.330)	(140.243)
Unincurred interest expense	(144.293)	(92.559)	(31.744)	(20.363)
Other	(10.177)	(3.581)	(2.101)	(717)
Deferred tax liabilities	(1.141.697)	(1.365.290)	(166.175)	(161.323)
Total deferred tax liability, net	(374.700)	(602.294)	(1.051)	1.765

	1 January- 30 September 2019	1 January- 31 December 2018
Beginning balance	1.765	(255.963)
Deferred tax expense from continuing operations	(23.120)	235.494
Recognized under equity	20.540	1.202
Cumulative translation difference	(236)	(874)
Ending balance	(1.051)	(20.141)

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NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The shareholders of the Company and their shareholdings stated at historical amounts at 30 September 2019 and 31 December 2018 are stated below:

	30 September 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 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Due from related parties	30 September 2019	31 December 2018
Anadolu Restoran İşl. Ltd. Şti.	63	15
Anadolu Isuzu Otomotiv Sanayi ve Tic. A.Ş.	-	368
Anadolu Motor Üretim ve Pazarlama A.Ş.	-	58
Other	266	305
	329	746

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Due to related parties	30 September 2019	31 December 2018
Coca Cola Satış ve Dağıtım A.Ş.	116.919	65.891
Anadolu Efes Pazarlama ve Dağıtım Ticaret A.Ş.	170.615	111.676
Adel Kalemçilik Ticaret ve San. A.Ş.	13.523	14.129
AEH Sigorta Acenteliği A.Ş.	616	15.868
AEH Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	1.999	6.174
Other	764	72
	304.436	213.810

b) Transactions with related parties

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Inventory purchases				
Coca Cola Satış ve Dağıtım A.Ş.	233.823	91.132	190.740	81.401
Anadolu Efes Paz. ve Dağıtım Ticaret A.Ş.	385.045	168.012	261.462	130.267
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	20.904	5.270	32.282	8.985
Adel Kalemçilik Ticaret ve San. A.Ş.	7.396	6.861	17.002	11.001
	647.168	271.275	501.486	231.654
Other transactions				
Rent revenue	1.222	508	1.209	499
Rent expenses	(12.511)	(4.120)	(8.626)	(3.731)
Other income	626	239	436	270
Other expenses	(58)	(18)	(33)	(16)
Other transactions, net	(10.721)	(3.391)	(7.014)	(2.978)

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

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 September 2019 and 2018 is as follows:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Short term benefits	32.099	10.129	22.670	7.773
	32.099	10.129	22.670	7.773

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

NOTE 21 - 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.

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Net profit/(loss) attributable to shareholders	(202.475)	178.884	(1.206.609)	(670.343)
Weighted average number of shares with Kr1 face value each ('000)	18.105.233	18.105.233	18.105.233	18.105.233
Earnings per share	(1,12)	0,99	(6,66)	(3,70)

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

NOTE 22 - 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 September 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 436.228.

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NOTE 22 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

	FOREIGN CURRENCY POSITION							
	30 September 2019				31 December 2018			
	Total TL equivalent	USD	Euro	Other TL equivalent	Total TL equivalent	USD	Euro	Other TL equivalent
Monetary financial assets	706.955	3.813	110.597	1.488	306.364	752	49.993	1.048
Trade receivables	-	-	-	-	-	-	-	-
Other	1.154	204	-	-	1.720	327	-	-
Current assets	708.109	4.017	110.597	1.488	308.084	1.079	49.993	1.048
Total assets	708.109	4.017	110.597	1.488	308.084	1.079	49.993	1.048
Financial liabilities	120.438	-	19.477	-	724.178	-	120.136	-
Non-monetary other liabilities	-	-	-	-	-	-	-	-
Current liabilities	120.438	-	19.477	-	724.178	-	120.136	-
Financial liabilities	2.739.403	-	443.011	-	2.956.734	-	490.500	-
Non-monetary other liabilities	5.188	-	839	-	6.084	81	938	-
Non-current liabilities	2.744.591	-	443.850	-	2.962.818	81	491.438	-
Total liabilities	2.865.029	-	463.327	-	3.686.996	81	611.574	-

CONVENIENCE TRANSLATION INTO ENGLISH OF
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MİGROS TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2019

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

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

NOTE 22 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

	FOREIGN CURRENCY POSITION							
	30 September 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	(2.156.920)	4.017	(352.730)	1.488	(3.378.912)	998	(561.581)	1.048
Net foreign currency asset/(liability) position of monetary items	(2.152.886)	3.813	(351.891)	1.488	(3.374.548)	752	(560.643)	1.048
Fair value hedge funds of								
foreign currency	(33.201)	-	-	-	(67.505)	-	-	-
Hedge amount of foreign currency assets	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Hedge amount of foreign currency liabilities	(61.836)	-	(10.000)	-	(241.120)	-	(40.000)	-
Export	-	-	-	-	-	-	-	-
Import	119.872	21.182	-	-	168.013	31.936	-	-

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NOTE 22 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

Foreign currency sensitivity analysis as of 30 September 2019 and 31 December 2018 is as follows:

	Gain/Loss	
	Foreign exhcange appre ciation	Foreign exhcange depre ciation
%20 change in Euro exchange rate		
Euro net asset/liability	(436.228)	436.228
Euro net effect	(436.228)	436.228

31 December 2018

	Gain/Loss	
	Foreign exhcange appre ciation	Foreign exhcange depre ciation
%20 change in Euro exchange rate		
Euro net asset/liability	(677.042)	677.042
Euro net effect	(677.042)	677.042

NOTE 23 - 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).

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NOTE 24 - SUBSEQUENT EVENTS

The sale of the Company’s properties, Marmaris, Silivri KİPA Shopping Mall and Yalova KİPA Shopping Mall Centers were completed and the title deeds were transferred in October with a total amount of TL 125.000.

In order to manage the growing logistic operations of online business more efficiently.

It has been resolved to invest in Paket Lojistik ve Teknoloji Anonim Şirketi ("Paket Lojistik"), one of the companies that provides logistics service to online operations. In this respect, it was decided that Company shall participate in the capital increase at premium through right issues corresponding to 25% of paid-in capital of Paket Lojistik. The amount to be paid for this strategic investment, TL 3.250, is planned to be used in order to expand Paket Lojistik's operations and improve its efficiency.