

MİGROS TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

CONTENTS

CONSOLIDATED BALANCE SHEETS	1-3
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS	4
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7-8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 1 JANUARY – 31 DECEMBER 2022	9-67
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS	9-10
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	10-30
NOTE 3 CASH AND CASH EQUIVALENTS	31
NOTE 4 FINANCIAL INVESTMENTS	32
NOTE 5 TRADE RECEIVABLES AND PAYABLES	33
NOTE 6 OTHER RECEIVABLES AND PAYABLES	34
NOTE 7 INVENTORIES	35
NOTE 8 PREPAID EXPENSES AND DEFERRED INCOME	35
NOTE 9 PROPERTY, PLANT AND EQUIPMENT	36-37
NOTE 10 INTANGIBLE ASSETS	38
NOTE 11 GOODWILL	39
NOTE 12 RIGHT OF USE ASSETS	40-41
NOTE 13 BORROWINGS	42-45
NOTE 14 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	46-47
NOTE 15 EMPLOYEE BENEFITS	48-49
NOTE 16 REVENUE	49-50
NOTE 17 EXPENSES BY NATURE	50-51
NOTE 18 OTHER OPERATING INCOME AND EXPENSES	51
NOTE 19 INCOME AND EXPENSES FROM INVESTING ACTIVITIES	52
NOTE 20 FINANCE INCOME	52
NOTE 21 FINANCE EXPENSES	53
NOTE 22 TAX ASSETS AND LIABILITIES	53-55
NOTE 23 CAPITAL, RESERVES AND OTHER EQUITY ITEMS	56
NOTE 24 RELATED PARTY DISCLOSURES	56-58
NOTE 25 EARNINGS PER SHARE	58
NOTE 26 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	59-62
NOTE 27 EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION	62-68
NOTE 28 FINANCIAL INSTRUMENTS	68-69
NOTE 29 FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM	69
NOTE 30 EVENTS AFTER THE REPORTING PERIOD	70
APPENDIX - 1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS BEFORE THE EFFECT OF TFRS 16	71-72
APPENDIX - 2 EBITDA	73

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

MİGROS TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021

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

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

	Notes	Audited 31 December 2022	Audited 31 December 2021
ASSETS			
Current Assets:			
Cash and cash equivalents	3	7,678,469	3,632,341
Financial investments	4	388,086	2,596
Trade receivables	5	487,262	177,905
-Trade receivables from related parties	24	5,326	4,067
-Trade receivables from third parties	5	481,936	173,838
Other receivables		62,041	41,729
-Other receivables from third parties	6	62,041	41,729
Derivative instruments		2,454	14,611
Inventories	7	10,904,668	4,675,317
Prepaid expenses	8	443,527	154,988
Current income tax assets	22	141,964	-
Other current assets		14,844	4,237
Total current assets		20,123,315	8,703,724
Non-current assets:			
Financial investments	4	602,846	97,059
Other receivables		583,028	5,530
-Other receivables from third parties	6	583,028	5,530
Derivative instruments		3,031	8,423
Property, plant and equipment	9	6,965,964	3,750,426
Right of use assets	12	4,287,137	2,785,466
Intangible assets		2,570,374	2,462,011
-Goodwill	11	2,341,178	2,252,992
-Other intangible assets	10	229,196	209,019
Prepaid expenses	8	125,606	20,579
Deferred tax assets	22	1,162,567	267,107
Total non-current assets		16,300,553	9,396,601
Total assets		36,423,868	18,100,325

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

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MİGROS TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021

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

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	Notes	Audited 31 December 2022	Audited 31 December 2021
LIABILITIES			
Current liabilities:			
Short term borrowings		408,635	715,860
-Bank loans	13	408,635	715,860
Short term portion of long term borrowings		2,034,406	1,328,799
-Bank loans	13	825,390	569,464
-Lease liabilities		1,209,016	759,335
Trade payables		21,039,843	9,581,881
-Trade payables to related parties	24	714,529	312,468
-Trade payables to third parties	5	20,325,314	9,269,413
Payables related to employee benefits	15	752,207	291,750
Other payables		357,960	225,021
-Other payables to third parties	6	357,960	225,021
Deferred income	8	342,257	214,363
Current tax liabilities	22	-	49,285
Short term provisions		1,037,111	698,608
-Short term provisions for employee benefits	15	572,201	187,690
-Other short term provisions	14	464,910	510,918
Other current liabilities		37,858	3,431
Total non-current liabilities		26,010,277	13,108,998
Non-current liabilities:			
Long term borrowings		5,012,249	4,035,105
-Bank loans	13	1,406,748	1,685,995
-Lease liabilities		3,605,501	2,349,110
Other payables		32,234	25,877
-Other payables to third parties	6	32,234	25,877
Deferred income		67	10,727
Long term provisions		1,279,290	383,554
-Long term provisions for employee benefits	15	1,279,290	383,554
Total non-current liabilities		6,323,840	4,455,263
Total liabilities		32,334,117	17,564,261

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CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021

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

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

EQUITY	Notes	Audited 31 December 2022	Audited 31 December 2021
Attributable to equity holders of parent		4,045,688	536,064
Share capital	23	181,054	181,054
Treasury shares	23	(125,435)	(125,435)
Additional contribution to share capital		22,074	22,074
Other comprehensive income/(expense)			
not to be classified to profit or loss		1,044,536	715,126
<i>-Defined benefit plans re-measurement (losses)/gains</i>		<i>(731,479)</i>	<i>1,118</i>
<i>-Revaluation fund of property, plant and equipment</i>		<i>1,776,015</i>	<i>714,008</i>
Other accumulated comprehensive income/expense			
to be classified to profit or loss		593,987	48,990
<i>-Currency translation differences</i>		<i>200,828</i>	<i>48,990</i>
<i>-Gains/(losses) on financial assets measured at fair value through other comprehensive income</i>		<i>393,159</i>	<i>-</i>
Other reserves		526,476	250,582
Accumulated losses		(767,287)	(914,843)
Net income for the year		2,570,283	358,881
Non-controlling interest		44,063	-
Total equity		4,089,751	536,064
Total liabilities and equity		36,423,868	18,100,325

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

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

MİGROS TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED
31 DECEMBER 2022 AND 2021**

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

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

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
Revenue	16	74,501,977	36,272,243
Cost of sales (-)	16	(56,702,390)	(27,517,740)
Gross Profit		17,799,587	8,754,503
General administrative expenses (-)	17	(1,046,548)	(485,264)
Marketing expenses (-)	17	(11,963,094)	(6,282,244)
Other operating income	18	474,754	306,092
Other operating expenses (-)	18	(2,539,679)	(1,584,691)
Operating profit		2,725,020	708,396
Income from investment activities	19	52,029	225,210
Expenses from investment activities (-)	19	(6,321)	(9,472)
Operating income before financial expenses		2,770,728	924,134
Financial income	20	721,117	417,730
Financial expense (-)	21	(1,583,599)	(1,116,377)
Net profit before tax from continuing operation		1,908,246	225,487
Tax income from continuing operations		671,583	132,716
Income tax expense (-)	22	(321,496)	(191,852)
Deferred tax income	22	993,079	324,568
Net profit from continuing operations		2,579,829	358,203
Discontinued operations profit for the year		-	678
Net profit for the year		2,579,829	358,881
Net profit attributable to:			
- Non-controlling interest		9,546	-
- Equity holders of parent	25	2,570,283	358,881
Profit per share (TRY) from continuing operations	25	14.20	1.98

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MİGROS TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE
YEARS ENDED 31 DECEMBER 2022 AND 2021**

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

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

	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
Net profit for the year	2,579,829	358,881
Items that not to be reclassified to profit or loss		
Revaluation of fund of property, plant and equipment	1,241,102	389,851
Defined benefit plans remeasurement losses/(gains)	(915,746)	5,200
Tax effect of items not to be reclassified to profit or loss		
Tax effect of revaluation fund of property, plant and equipment	(150,713)	(46,270)
Tax effect of defined benefits plan remeasurement (losses)/gains	183,149	(1,040)
Items to be reclassified to profit or loss		
- Other comprehensive income on financial assets at fair value through other comprehensive income	524,212	2,640
Currency translation differences	151,838	(206,659)
Tax effect of items to be reclassified to profit or loss		
Tax effect other comprehensive income on financial assets at fair value through other comprehensive income	(131,053)	-
Other comprehensive income, after tax	902,789	143,722
Total comprehensive income	3,482,618	502,603
Allocation of total comprehensive income		
-Non-controlling interests	9,546	(2,400)
-Equity holders of parents	3,473,072	505,003

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

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

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

	Share capital	Other capital reserve	Treasury shares	Additional contribution to share capital	Other comprehensive income and expenses not to be reclassified to profit or loss		Other comprehensive income and expenses to be reclassified to profit or loss		Retained earnings		Attributable to equity holders of the parents	Non controlling interests	Total equity
					Defined benefit plans revaluation and measurement (losses)/ gains	Increase of revaluation fund of property plant and equipment	Gains on financial assets at fair value through other comprehensive income	Foreign currency translation differences	Accumulated losses	Net profit/(loss) for the year			
Balances as of 1 January 2021	181,054	110,884	(125,435)	22,074	(3,042)	409,260	-	256,000	(416,750)	(402,984)	31,061	(2,400)	33,461
Transfers	-	139,333	-	-	-	(41,473)	-	(2,751)	(498,093)	402,984	-	-	-
Total comprehensive income	-	-	-	-	4,160	346,221	-	(204,259)	-	358,881	505,003	(2,400)	502,603
Net income for the year	-	-	-	-	-	-	-	-	-	358,881	358,881	-	358,881
Foreign currency translation differences	-	-	-	-	-	-	-	1,484	-	-	1,484	-	1,484
Decrease due to loss of control in subsidiaries	-	-	-	-	-	-	-	(205,743)	-	-	(205,743)	(2,400)	(208,143)
Gain on revaluation and measurement	-	-	-	-	4,160	-	-	-	-	-	4,160	-	4,160
Revaluation fund of property, plant and equipment	-	-	-	-	-	346,221	-	-	-	-	346,221	-	346,221
Balances as of 31 December 2021	181,054	250,217	(125,435)	22,074	1,118	714,008	-	48,990	(914,843)	358,881	536,064	-	536,064
Balances as of 1 January 2022	181,054	250,217	(125,435)	22,074	1,118	714,008	-	48,990	(914,843)	358,881	536,064	-	536,064
Transfers	-	276,259	-	-	-	(28,382)	-	-	111,004	(358,881)	-	-	-
Transaction with non-controlling shareholders	-	-	-	-	-	-	-	-	36,552	-	36,552	34,517	71,069
Total comprehensive income	-	-	-	-	(732,597)	1,090,389	393,159	151,838	-	2,570,283	3,473,072	9,546	3,482,618
Net income for the year	-	-	-	-	-	-	-	-	-	2,570,283	2,570,283	9,546	2,579,829
Foreign currency translation differences	-	-	-	-	-	-	-	151,838	-	-	151,838	-	151,838
Gain on revaluation and measurement	-	-	-	-	(732,597)	-	393,159	-	-	-	(339,438)	-	(339,438)
Revaluation fund of property, plant and equipment	-	-	-	-	-	1,090,389	-	-	-	-	1,090,389	-	1,090,389
Balances as of 31 December 2022	181,054	526,476	(125,435)	22,074	(731,479)	1,776,015	393,159	200,828	(767,287)	2,570,283	4,045,688	44,063	4,089,751

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MİGROS TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2022 AND 2021**

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

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

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
Cash flows from operating activities:			
Net profit for the year		2,579,829	358,881
Net profit from continued operations for the year		2,579,829	358,203
Net profit from discontinued operations for the year		-	678
Adjustments related to reconciliation of net profit for the year		3,908,956	3,025,979
Adjustments for depreciation and amortisation expenses	17	1,178,268	907,185
Adjustments for impairment on receivables	5	10,497	4,459
Adjustments for inventory provisions	7	91,803	77,759
Adjustments for impairment on property, plant and equipment	19	6,321	9,472
Adjustments for provision for employee benefits	15	479,003	218,450
Adjustments for provision for litigation	14	365,554	432,959
Adjustments for interest income	20	(531,271)	(151,399)
Adjustments for interest expense	21	1,212,614	985,182
Adjustments for deferred financing due to forward purchases expenses	18	2,138,132	1,116,476
Adjustments for unearned finance income from sales	18	(397,258)	(281,637)
Adjustments for unrealized foreign exchange losses	13	27,545	97,020
Adjustments for fair value losses/(gains) arising from derivatives	20,21	23,652	(32,021)
Adjustments for income tax expense	22	(671,583)	(132,716)
Gain on sale of property plant and equipment	19	(24,321)	(12,047)
Adjustments for gains arising from the sale of subsidiaries		-	(213,163)
Changes in net working capital		4,284,168	1,029,279
Adjustments for increase in trade receivables		(317,187)	(5,367)
Adjustments for increase in inventories		(6,321,154)	(1,413,496)
Adjustments for increase in other receivables related with operations		(2,405,136)	(379,565)
Adjustments for increase in trade payables		11,448,811	2,345,605
Adjustments for increase in other payables related with operations		1,878,834	482,102
Cash flows from operating activities		10,772,953	4,414,139
Employee benefits paid	15	(114,502)	(57,822)
Interest received		394,591	279,165
Interest paid		(2,128,981)	(1,219,594)
Taxes paid		(470,767)	(144,703)
Other provisions paid	14	(413,550)	(17,728)
Net cash provided by operating activities		8,039,744	3,253,457

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**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2022 AND 2021**

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

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	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
Investing activities			
Cash outflows from the purchase of tangible and intangible assets	9-10	(2,262,174)	(969,388)
Cash inflows from the sale of tangible and intangible assets		67,570	87,888
Obtaining control of subsidiaries			
cash outflows for purchases		(104,500)	-
Cash inflows from the sale of subsidiary		-	374,451
Cash flows from investing activities		(2,299,104)	(507,049)
Financing activities			
Proceeds from borrowings	13	708,000	922,521
Cash outflows from repayments of borrowings	13	(1,061,948)	(1,923,239)
Cash outflows from repayment of derivative instruments		(6,103)	17,650
Interest received	18	531,271	151,399
Interest paid		(562,981)	(485,056)
Cash outflows from payments of rent agreements		(1,165,056)	(906,935)
Cash flows from financing activities		(1,556,817)	(2,223,660)
Effect of foreign currency translation differences on cash and cash equivalents		(137,695)	(121,200)
Net increase in cash and cash equivalents		4,046,128	401,548
Cash and cash equivalents in the beginning of the year	3	3,632,341	3,230,793
Cash and cash equivalents in the end of the year	3	7,678,469	3,632,341

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MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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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 Şirketi (“Moonlight Perakendecilik”) on 30 April 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”.

The company is controlled by AG Anadolu Grubu Holding A.Ş., its parent company. AG Anadolu Grubu Holding A.Ş. is controlled by AG Sınai Yatırım ve Yönetim A.Ş., and AG Sınai Yatırım ve Yönetim A.Ş. is a management company that ultimately manages, with equal representation of and by way of equal management by the Süleyman Kamil Yazıcı family and the Özlhan family, the affiliates of AG Anadolu Grubu Holding A.Ş. AG Anadolu Grubu Holding A.Ş. holds a 50% indirect share.

The Group is mainly engaged in retail sales in food & beverages, consumer goods and wholesale. Other than that the Group is also engaged in online food retailing, takeout food, payment and e-money services, logistic (motorcycle courier) services, and shopping mall management.

As of 31 December 2022, the Group has a total sales area of 1,796,075 m2 (31 December 2021: 1,678,802 m2) with a retail store area of 1,781,396 m2 and a wholesale store area of 14.679 m2, 2,882 retail stores and 26 wholesale stores. operates in a total of 2,908 (31 December 2021: 2,565) stores. As of the end of the year as of 31 December 2022, the total number of employees of the Group is 45,303. (31 December 2021: 40,470). Retailing is the Group's core business, accounting for approximately 96% (31 December 2021: 96%) of gross sales.

The address of the registered office is as follows:

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

These consolidated financial statements have been approved for issue by the Board of Directors (“BOD”) on 28 February 2023 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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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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 consolidated financial statements, their respective geographical segments are as follows:

Subsidiaries	Country of incorporation	Geographical segment	Nature of business	31 December 2022 (%)	31 December 2021 (%)
Ramstore Kazakhstan LLC	Kazakhstan	Kazakhstan	Shopping centre management	100.0	100.0
Mimeda Medya Platform A.Ş.	Turkey	Turkey	Media	100.0	100.0
Money pay Ödeme ve Elektronik Para Hizmetleri A.Ş.	Turkey	Turkey	Services limited by e-money legislation	80.0	80.0
Paket Lojistik ve Teknoloji A.Ş.	Turkey	Turkey	Logistics	75.0	25.0
Dijital Platform Gıda Hizmetleri A.Ş. (*)	Turkey	Turkey	Online food retailing	93.0	100.0
Migen Enerji ve Elektrikli Şarj Hizmetleri A.Ş. (**)	Turkey	Turkey	Charging service	100.0	-

(*) The owned share with TRY 700 nominal value corresponding 7% of the capital paid of the Dijital Platform Gıda Hizmetleri A.Ş. (Dijital Platform), a subsidiary of the Company, was sold to Dijital Platform as part of Dijital Platform's executive incentive program with a price of TRY 2,100.

(**) The company is not included in the scope of consolidation since it is not active as of 31 December 2022.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Financial reporting standards applied

Statement of Compliance with TFRS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on June 13, 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations (“TAS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

In addition, the consolidated financial statements are presented in accordance with the specified format in “TFRS Taxonomy Announcement”, issued on 15 October 2022 by the POA, and “the Financial Statements Examples and Guidelines for Use”, which is published by the Capital Markets Board of Turkey.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

2.1 Basis of Presentation (Continued)

Migros and its subsidiaries, which operate in Turkey, keep their accounting books and their statutory financial statements in Turkish Lira (“TRY”) in accordance with the regulations on accounting and reporting framework and accounting standards promulgated by the CMB, Turkish Commercial Code (“TCC”) and Tax Legislation and the Uniform Chart of Accounts which is issued by the Ministry of Finance. The foreign subsidiaries keep their accounting books and statutory financial statements in their local currencies and in accordance with the rules and regulations of the countries in which they operate.

Current Year Information

On January 20, 2022, the Public Oversight Accounting and Auditing Standards Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it is stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 - Financial Reporting in High Inflation Economies (“TAS 29”). As of the preparation date of these consolidated financial statements, no new disclosure has been made by POA within the scope of TAS 29, and no inflation adjustment has been made in accordance with TAS 29 while preparing the consolidated financial statements as of 31 December 2022.

2.1.2 Changes in the accounting policies, estimates and errors

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

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 TRY, which is the functional currency of Migros Ticaret A.Ş. and the reporting currency of the Group. (Note 27)

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.1 Basis of Presentation (Continued)

Going Concern

The consolidated financial statements have been prepared assuming that the Company and consolidated subsidiaries will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

2.2 Summary of significant accounting policies

Accounting policies applied by subsidiaries can be changed in order to convenience with the accounting policies applied by the Group, when necessary. The accounting policies applied to the preparation of consolidated financial statements are summarized as follows:

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements of the Group include Migros, Mameda, Moneypay, Dijital Platform, Paket Lojistik and Ramstore Kazakhstan LLC. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, respectively.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a basis within other operating income or other operating expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Revenue

The Group records revenue when fullfills performance obligation while transferring committed service or good to their customer. An asset is transferred when (or as) the control of an asset is transferred to the customer.

The Group records revenue accordance with the following 5 main principles:

- Determination of customer contracts
- Determination of performance obligation on contracts
- Determination of transaction fee on contracts
- Allocation of transaction price to performance obligation in contracts
- Revenue recognition when each performance obligation is fulfilled

The specific accounting policies for the Group's main types of revenue are explained below:

Sales of goods – Retail

The Group operates in the retail sales of food and beverages, consumer and durable goods through its stores, shopping centers, Ramstores Banner abroad and internet sales. Sales of goods are recognised when the performance obligation is fulfilled. Retail sales are usually made against a cash or credit card payment.

Within the scope of the Group customer loyalty program, customers who use loyalty cards earn points from their purchases. For these earned points, the probability of using them in the following periods is estimated and the relevant amount is recorded as sales discount.

Sales of Goods – Wholesale

Revenue from the sales of goods is recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Control transfer does not occur until the products were shipped to the specified location, the risks of obsolescence and loss were transferred to the wholesaler, the wholesaler accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has an objective evidence that all criteria for acceptance are satisfied.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

Rent revenue

The Group recognises rent income on accrual basis based on the agreement.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of the weighted average cost method. For processed inventories, cost includes direct materials, direct labor and the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Borrowing costs are not included in inventory cost. Revenues and discounts from suppliers, sales premiums and advertising participation fees are accounted on an accrual basis and booked against cost of inventories. An inventory difference provision for the period covering the latest inventory count date and the balance sheet date has been included into the inventory impairment item.

Property, plant and equipment

Revaluation Method

Property, plant and equipment except lands and buildings are carried at cost less accumulated depreciation and impairment if exists. With respect to TAS 16 “Property, Plant and Equipment”, the Group has decided to choose revaluation model for lands and buildings by using the fair values determined in the valuation reports of Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. (“Nova Taşınmaz Değerleme”) as of 31 December 2022. The first fair value application was adopted as of 31 December 2017.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfers from the revaluation fund to retained earnings are made unless the asset is derecognised.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

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

2.2 Summary of significant accounting policies (Continued)

Cost method

Property, plant and equipment except lands and buildings are carried at cost less accumulated depreciation and impairment if exists.

Properties in the course of construction for production, administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Legal fees are also included in the cost.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When a property, plant and equipment is disposed of or no future economic benefits are expected from its use or sale, it is derecognised. The gain or loss resulting from the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is included in the profit or loss statement.

The depreciation period for property, plant and equipment which approximate the economic useful lives of such assets, are as follows:

	<u>Useful lives (Year)</u>
Buildings	25-50
Leasehold improvements	Over period of lease (*)
Machinery and equipment	4-10
Furniture and fixtures	5-12
Motor vehicles	5-8

(*) Leasehold improvements include the expenses made for the leased properties and are depreciated over the useful life of the leased property where the useful life is longer than the lease term, and over the useful life if it is shorter.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The increase in the carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

Expenses for repair and maintenance of property, plant and equipment are normally charged to the consolidated profit and loss statement. They are, however, capitalized and depreciated through the estimated useful life of the property, plant and equipment in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Derecognition of property, plant and equipment

A property, plant and equipment is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property, plant and equipment, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets

Goodwill

Goodwill arises when purchasing subsidiaries and the amount of the transferred consideration, the amount of non-controlling interests in the acquiree and the fair value of the identifiable net assets in the acquiree, the excess of the fair value difference at the acquisition date of the equity interests in the acquiree previously held by the acquirer. If the total transferred consideration, recognized non-controlling interests and previously held interests measured at fair value are less than the fair value of the net assets of the acquired subsidiary, for example in a bargain purchase, the difference is recognized directly in the statement of profit or loss.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. The carrying amount of goodwill is compared with its recoverable value, which is the higher of its value in use and fair value less costs to sell. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement and is not reversed in subsequent periods

Brands

Brands that are acquired separately are accounted for at their acquisition cost, and brands that are acquired as a part of business combination are accounted for at their fair value in the consolidated financial statements. The Group assessed the useful life of brand as indefinite since there is no foreseeable limit to the period over which a brand is expected to generate net cash inflows for the Group. A brand is not subject to amortisation as it is considered to have an indefinite useful life. A brand is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount when the carrying amount of the brand exceeds its recoverable amount.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

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

2.2 Summary of significant accounting policies (Continued)

Rent agreements

Lease agreements are determined by the Group as identifiable intangible assets and consist of the lease agreements taken over from the stores it has purchased and the parts of the purchase price of the purchased stores exceeding the fair value of the purchased assets. Lease contracts are recorded at their fair values at the date of purchase, and amortised during the contract period.

The evacuation cost paid by the Group to the real estate owners or previous renters relating to rented stores except for the rental price at the beginning of the contract are presented under other intangible assets. These amounts are amortized throughout the lease and accounted for in marketing and sales expenses.

Computer softwares (Rights)

Rights arising on computer software are recognised at its acquisition cost. Computer software is amortised on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. The estimated useful life of computer software is 5 years.

Internally-generated intangible assets and development expenditures

Maintenance and research costs of computer software are expensed as they occur. Development costs for designing and testing identifiable and unique computer software controlled by the Group are recognized as intangible assets if the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of the software includes all of the costs directly attributable to the software (such as software development labor costs and the share of software overhead) required by management to create, produce, and prepare the software in order for it to function as intended. Other development expenditures that do not meet these criteria are recognized as an expense when incurred. Development-related expenses that were initially recognized as an expense cannot be recognized as an asset at a later date.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset. This difference is recognised in profit or loss when the asset is derecognised.

Non-current assets held for sale

Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell. When the fair value is less than the carrying cost, an impairment loss is recognized as an expense in the consolidated income statement for the period.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial assets

Classification and measurement

The Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

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

2.2 Summary of significant accounting policies (Continued)

Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the consolidated statement of financial position.

Impairment

The Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, the Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. The Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. The Group's financial instruments at fair value through profit or loss consist of forward contracts and interest rate swaps.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. The Group measures such assets at their fair values. Gains or losses arising from the related financial assets are recognized in other comprehensive income except foreign exchange gain or loss and impairment loss. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.2 for further information about the group's accounting for trade receivables and impairment policies.

Trade payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

Earnings per share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned. As disclosed in Note 25, the Group's earnings per share are calculated in accordance with "Earning Per Share" ("TAS 33").

Income as per share stated in the consolidated statement of profit or loss is calculated by dividing the net profit by the weighted average of the share certification available in the market during the whole year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These "bonus share" distributions are treated as issued shares in earnings per share calculations. Accordingly, the weighted average number of shares used in these calculations has been calculated by taking into account the retrospective effects of the aforementioned share distributions.

Events after the reporting period

Subsequent events are composed of any event between the balance sheet date and the publication date of the balance sheet, even if they arise after any announcements of profits or other financial data. The Group restates its consolidated financial statements if such subsequent events arise (Note 30)

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine whether the possibility of an outflow of resources embodying economic benefits is probable. When the possibility of an outflow of resources embodying economic benefits is probable for the accounts classified as contingent liabilities, provision is provided in the financial statements for related contingent liabilities except for the situations there is not a reliable estimation.

The Group discloses the contingent liabilities that are probable but there is not a reliable estimation for the amount of resources embodying economic benefits in the notes.

Assets that result from previous events that cannot be controlled fully by the Group and depend on the realization of one or more uncertain events, is considered as a contingent asset. Contingent assets are disclosed in the notes of the consolidated financial statements, if there is a high probability that resources with economic benefits will flow to the entity.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees,
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under TAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

As a practical expedient, TFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

The Group applies the derecognition and impairment requirements in TFRS 9 to the net lease investment. The Group regularly reviews the estimated uncommitted residual values used in the calculation of the gross lease investment and in case of a decrease in the estimated uncommitted residual value, the Group revises the distribution of income over the lease term and reflects the reductions in the accrued amounts directly to the financial statements.

When a contract includes lease and non-lease components, the Group applies TFRS 15 to allocate the consideration under the contract to each component.

Related parties

Parties are considered related to the Group if;

- a) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the Company that gives it significant influence over the Company; or
 - has joint control over the Company,

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

- b) the party is an associate of the Company,
- c) the party is a joint venture in which the Company is a venture,
- d) the party is member of the key management personnel of the Company or its parent,
- e) the party is a close member of the family of any individual referred to in (a) or (d),
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e),
- g) the party has a defined benefit plan for the employees of the Company or a related party of the Company.

Related party transactions are transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The current income tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax rates which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax asset or liability of the assets and liabilities except for goodwill or business combinations are not calculated for temporary timing differences arising from the initial recognition and affecting both trading and financial profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits/Employee termination benefits

The provision for employment termination benefits represents the present value of the estimated total provision for the future probable liabilities of the Group arising from the retirement of the personnel in accordance with the Turkish Labor Law and the laws applicable in the countries in which the subsidiaries operate. Pursuant to the laws governing working life in Turkey and the Turkish Labor Law, the Group is required to collectively pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, who voluntarily leaves the job, is dismissed, dies or retires and reaches the retirement age. Provision allocated by using defined benefit plans’ current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders’ equity in the period in which they arise.

Cash flow statement

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Group generated from retail and wholesale activities and lease income.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months and which are subject to an insignificant risk of changes in value (Note 3).

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.2 Summary of significant accounting policies (Continued)

Offsetting

A financial asset or liability can be offset and the net amount shown on the balance sheet only if the entity has a legal right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Dividend

The dividend distributed to the shareholders of the Company is reflected as a liability in the financial statements of the Group on the date it is approved by the shareholders of the Company. When entitled to receive dividends, it is recognized as income in the financial statements.

Paid in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Share premium represents differences resulting from the sales of the Group's subsidiaries' and investments valued by using equity method shares at a price exceeding the nominal value of those shares or differences between the nominal value and the fair value of shares issued for acquired companies by the Group (Note 23).

Deferred finance income/expenses

Deferred finance income/expenses represent imputed finance income and expenses on credit sales and purchases. Such income and expenses calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under other operating income and expenses.

2.3 Comparative information and restatement of prior period financial statements

The Group's consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained. In case of changes and errors in accounting policies and accounting estimates, significant changes and significant accounting errors are applied retrospectively and the prior period financial statements are restated. Changes in accounting estimates are applied in the current period if the change is made for only one period, and if it is related to future periods, both in the period when the change is made and prospectively.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.3 Comparative information and restatement of prior period financial statements (Continued)

The amount of TRY 34,154 e-commerce marketing expences were reclassified in marketing expences in the year of 31 December 2021. In order to provide a proper consolidated financial statement between as of 31 December 2022 current year and the relevant period of 31 December 2021, this amount is reclassified in general administrative expences. Also the amount of TRY 250,582 is reclassified in other shares as of 31 December 2022 while it was reclassified in restricted reserves in the year of 31 December 2021.

2.4 Critical accounting estimates and assumptions

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

(a) Goodwill impairment test

As explained in related accounting policy, the Group performs impairment tests on goodwill annually as of 31 December. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. These value-in-use calculations include discounted after-tax cash flow projections, and these projections determined in TRY are based on five-year long-term plans approved by Migros Ticaret management. Estimated cash flows beyond the five-year period are calculated without considering any growth rate. In value-in-use calculations, the annual discount rate is 11.3% (2021: 14.8%). The discount rate used is the post-tax discount rate and includes risks specific to the Group (Note 11).

No impairment was identified as a result of the impairment tests performed as of 31 December 2022.

(b) Impairment on leasehold improvements

As explained in related accounting policy, property, plant and equipment are carried at the cost less accumulated depreciation and, if any, impairment. The Group evaluates its operational performance on a store-by-store basis and each store's continuity depends on the discounted net cash flow projections. Those cash flow projections are calculated, on a consistent basis to the Group's five year business plans and on a store-by-store basis by taking into consideration the remaining useful life of each store. In this context, the Group executes an impairment estimate on the leasehold improvements on stores where it is a lessee by considering the continuity of each store.

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

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

2.4 Critical accounting estimates and assumptions (Continued)

(c) Extension option in lease contracts

The lease obligation is determined by taking into account the extension options in the contracts. Most of the extension options included in the long-term lease contracts consist of applicable extension options by the Group. The Group reassesses the extension options in the lease term based on the medium-term business plans in the last year of the lease term and, if necessary, adds the extension right prospectively to the contract period. If the conditions change significantly, the assessment is reviewed by the Group.

(d) Explanations on fair value determination

As of the presentation of the consolidated financial statements as of 31 December 2022, the Group has excluded the cost model from the application methods in TAS 16 and chose the revaluation model for the presentation of land and buildings at their fair values. Revaluation studies of lands, building and investment properties have been performed by Nova Taşınmaz Değerleme, which is CMB accredited professional valuation Companies.

Lands and buldings in assets of the Group, which are located in Turkey, have been revaluated in 31 December 2022 dated valuation reports of Nova Taşınmaz Değerleme by using “Sample comparison approach analysis”, and “Income approach”.

“Income approach” method has been used in the valuation reports dated 31 December 2022 prepared by TSKB Gayrimenkul Değerleme to determine the fair market value of the land and buildings in the Group's assets and located in Kazakhstan.

As a result of revaluation study made by the experts, positive difference for lands and building amounting to TRY 1,241,102 is accounted as TRY 1,090,389 after net-off tax and minority effect “Revaluation Funds” under equity.

2.5 New and Revised Turkish Financial Reporting Standards

a) Standards, amendments, and interpretations applicable as of 31 December 2022:

- **Amendment to TFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to TFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

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

2.5 New and Revised Turkish Financial Reporting Standards (Continued)

- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from annual periods beginning on or after 1 January 2022.

- **Amendments to TFRS 3,** ‘Business combinations’ update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to TAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to TAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial Instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to TFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to TAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **TFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash	207,176	129,577
Banks		
-demand deposit (*)	784,359	80,377
-time deposit	3,862,181	1,421,960
Cheques in collection	556	307
Credit card receivables	2,824,197	2,000,120
	7,678,469	3,632,341

(*) The Group transfers the cash in its stores registers to the bank on a daily basis. In accordance with the bank agreements, transferred cash amounts have temporary blockages for a certain year of time and available for use at the end of this year. As of 31 December 2022, a cash amount of TRY 486,984 in bank accounts is temporarily blocked due to the mentioned cash transfer. (2021: TRY 60,408).

Weighted average effective interest rate on TRY denominated time deposits as of 31 December 2022 is 24.1% (2021: 18.4%).

Credit card receivables with a maturity of less than one month are discounted at 31 December 2022 with annual rate of 10.8% (2021: 20.0%).

The maturity analysis of time deposits at 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
1 - 30 days	3,862,181	1,421,792
30 - 90 days	-	168
Over 180 days (*)	4,695	2,596
	3,866,876	1,424,556

(*) Time deposits with a maturity of more than 90 days are recognized in the financial investments account (Note 4).

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 4 - FINANCIAL INVESTMENTS

Financial assets

	31 December 2022	31 December 2021
Currency protected deposits (*)	351,125	-
Investment fund	32,266	-
Time deposit (**)	4,695	2,596
	388,086	2,596

(*) Related amount indicating the bank deposits with over 90 days maturity recognised as cash fund by the Group.

(**) The interest rates for currency protected deposit accounts are 13,50% and 21,00%.

Financial assets carried at fair value through other comprehensive income

	31 December 2022	31 December 2021
Long term financial assets carried at fair value through other comprehensive income/loss	598,346	97,059
Subsidiaries	4,500	-
	602,846	97,059

	31 December 2022		31 December 2021	
	TL	Share (%)	TL	Share (%)
Colendi Holdings Limited	598,346	4.88	-	-
Migen Enerji ve Elektrikli Araç Şarj Hizmetleri A.Ş.	4,500	100.00	-	-
Paket Lojistik ve Teknoloji A.Ş.	-	-	3,250	25.00
Moneypay Ödeme ve Elektronik Para Hizmetleri A.Ş.	-	-	82,309	80.00
Dijital Platform Gıda Hizmetleri A.Ş.	-	-	10,000	100.00
Mimeda Medya Platform A.Ş.	-	-	1,500	100.00
Total	602,846		97,059	

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

Trade receivables:

	31 December 2022	31 December 2021
Receivables from tenants and wholesale activities	461,845	166,594
Doubtful trade receivables	125,947	101,879
Notes receivable	16,295	6,115
Due from related parties (Note 24)	5,326	4,067
Less: Provisions for doubtful receivables	(125,947)	(101,879)
Less: Finance income not accrued on term sales	3,796	1,129
	487,262	177,905

The maturity of trade receivables is generally less than one month, and they were discounted with the annual rate of 10.8% as of 31 December 2022 (2021: 20.0%).

Movement of provision for doubtful receivables is as follows:

	2022	2021
Beginning of the year, 1 January	101,879	83,330
Current year charge (Note 18)	10,497	4,459
Collections and provisions released	(4,427)	(2,875)
Foreign currency translation differences effect	17,998	16,965
End of the year, 31 December	125,947	101,879

Trade payables:

	31 December 2022	31 December 2021
Sellers	20,197,497	8,938,304
Trade payables to related parties (Note 24)	714,529	312,468
Expense accruals	349,863	562,306
Finance cost not accrued on term purchases	(222,046)	(231,197)
	21,039,843	9,581,881

The maturity of trade payables is generally less than three months and they are discounted with annual rate of 10.6% as of 31 December 2022 (2021: 22.4%).

Explanations on the nature and level of risks in trade receivables and payables are included in Note 26.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 6 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

	31 December 2022	31 December 2021
Receivables from personnel	55,678	36,719
Receivables from insurance companies	6,363	5,010
	62,041	41,729

Other long-term receivables

	31 December 2022	31 December 2021
Value added tax receivables ("VAT")	570,258	-
Deposits and guarantees given	12,770	5,530
	583,028	5,530

Other short-term payables

	31 December 2022	31 December 2021
Other taxes and funds payable	287,948	149,543
Value added tax payables ("VAT")	59,632	37,744
Credit card bills collection account (*)	2,717	3,149
Other	7,663	34,585
	357,960	225,021

(*) It consists of credit card collections with maturities less than one month made in stores on behalf of banks.

Other long-term payables

	31 December 2022	31 December 2021
Deposits and guarantees received	32,234	25,877
	32,234	25,877

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 7 - INVENTORIES

	31 December 2022	31 December 2021
Finished goods and commodities	10,869,197	4,731,014
Work in progress	151,804	54,928
Raw materials	79,645	29,399
Other	48,227	12,378
Less: Provision for impairment on inventory	(244,205)	(152,402)
	10,904,668	4,675,317

Movement of impairment on inventory is as follows:

	2022	2021
Beginning of the year, 1 January	152,402	74,643
Charge for the year	497,209	158,737
Provisions released (-)	(405,406)	(80,978)
End of the year, 31 December	244,205	152,402

NOTE 8 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses

	31 December 2022	31 December 2021
Prepaid rent expenses	137,253	59,801
Prepaid insurance expenses	112,570	38,484
Advances given	89,708	1,058
Other prepaid expenses	103,996	55,645
	443,527	154,988

Long-term prepaid expenses

	31 December 2022	31 December 2021
Advances given for property, plant and equipment	67,207	6,081
Prepaid rent expenses	11,413	14,498
Other	46,986	-
	125,606	20,579

Short-term liabilities from customer contracts

	31 December 2022	31 December 2021
Customer cheques	298,211	187,668
Deferred income	44,046	26,695
	342,257	214,363

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipments years ended at 31 December 2022 is as follows;

	1 January 2022	Additions (*)	Disposals	Impairment (**)	Revaluation	Transfers	Currency translation differences	31 December 2022
Cost								
Lands	764,754	-	(14,800)	-	510,032	-	59,772	1,319,758
Buildings	842,943	39,373	(22,280)	(3,317)	728,816	17,977	162,086	1,765,598
Leasehold improvements	1,159,929	311,842	-	(3,697)	-	89,849	-	1,557,923
Machinery and equipments	1,881,148	646,246	(21,147)	-	-	360,345	6,238	2,872,830
Motor vehicles	12,700	161,419	(214)	-	-	4,640	-	178,545
Furniture and fixtures	1,014,631	245,945	(19,834)	-	-	87,661	1,262	1,329,665
Construction in progress	168,340	768,676	-	-	-	(560,472)	-	376,544
	5,844,445	2,173,501	(78,275)	(7,014)	1,238,848	-	229,358	9,400,863
Accumulated depreciation								
Buildings	(76,131)	(26,270)	744	-	-	-	(16,732)	(118,389)
Leasehold improvements	(588,814)	(57,567)	-	693	-	-	-	(645,688)
Machinery and equipment	(867,253)	(179,657)	17,418	-	-	-	(3,574)	(1,033,066)
Motor vehicles	(5,171)	(34,216)	127	-	-	-	-	(39,260)
Furniture and fixtures	(556,650)	(53,694)	12,930	-	-	-	(1,082)	(598,496)
	(2,094,019)	(351,404)	31,219	693	-	-	(21,388)	(2,434,899)
Net book value	3,750,426							6,965,964

(*) 160,436 TRY in costs, 34,363 TRY of accumulated depreciation and 23,622 TRY of depreciation expenses, all of which were included in tangible fixed asset additions as of 31 December 2022, resulted from the impact of companies included in the consolidation for the first time as of 31 December 2022.

(**) Impairment loss amounting to TRY 3,004 consists of leasehold improvements of the stores closed in 2022 (Note:19).

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement of property, plant and equipments year ended at 31 December 2021 is as follows;

	1 January 2021	Additions (*)	Disposals	Impairment (**)	Revaluation	Transfers	Currency translation differences	31 December 2021
Cost								
Lands	590,907	-	(45,305)	-	211,088	-	8,064	764,754
Buildings	566,295	3,630	(21,055)	(7,863)	178,763	478	122,695	842,943
Leashold improvements	961,105	156,648	(497)	(8,232)	-	50,905	-	1,159,929
Machinery and equipments	1,450,494	278,094	(36,576)	-	-	179,098	10,038	1,881,148
Motor vehicles	9,745	3,564	(645)	-	-	36	-	12,700
Furniture and fixtures	887,016	110,323	(20,831)	-	-	35,408	2,715	1,014,631
Construction in progress	116,491	317,774	-	-	-	(265,925)	-	168,340
	4,582,053	870,033	(124,909)	(16,095)	389,851	-	143,512	5,844,445
Accumulated depreciation								
Buildings	(41,710)	(17,570)	768	-	-	-	(17,619)	(76,131)
Leashold improvements	(511,194)	(84,631)	388	6,623	-	-	-	(588,814)
Machinery and equipments	(743,695)	(148,527)	31,965	-	-	150	(7,146)	(867,253)
Motor vehicles	(3,385)	(2,368)	582	-	-	-	-	(5,171)
Construction in progress	(509,325)	(57,192)	17,321	-	-	-	(7,454)	(556,650)
	(1,809,309)	(310,288)	51,024	6,623	-	150	(32,219)	(2,094,019)
Net book value	2,772,744							3,750,426

(*) Impairment amounting to TRY 9,472 consists of leasehold improvements of the stores closed in 2021 and fair value changes in lands and buildings (Note 19).

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 10 - INTANGIBLE ASSETS

Movement of intangible assets year ended at 31 December 2022 is as follows;

	1 January 2022	Additions (*)	Currency translation differences	31 December 2022
Cost				
Trademark	2,787	-	-	2,787
Rent agreements	39,131	-	-	39,131
Rights	568,068	151,685	2,800	722,553
Other intangible assets	170,167	1,195	-	171,362
Total	780,153	152,880	2,800	935,833
Accumulated amortisation				
Rent agreements	(37,132)	(956)	-	(38,088)
Rights	(413,673)	(130,793)	(2,541)	(547,007)
Other intangible assets	(120,329)	(1,213)	-	(121,542)
Total	(571,134)	(132,982)	(2,541)	(706,637)
Net book value	209,019			229,196

(*) As of 31 December 2022, additions include costs amounting to TRY 23,370 accumulated amortisation amounting to TRY 5,776 and amortisation expense TRY 5,459 due to business combinations as of 31 December 2022.

Movement of intangible assets year ended at 31 December 2021 is as follows;

	1 January 2021	Additions	Disposals	Transfers	Currency translation differences	31 December 2021
Cost						
Trademark	2,787	-	-	-	-	2,787
Rent agreements	39,131	-	-	-	-	39,131
Rights	470,376	99,355	(4,852)	-	3,189	568,068
Other intangible assets	170,167	-	-	-	-	170,167
	682,461	99,355	(4,852)	-	3,189	780,153
Accumulated amortisation						
Rent agreements	(36,176)	(956)	-	-	-	(37,132)
Rights	(340,426)	(74,517)	4,591	(150)	(3,171)	(413,673)
Other intangible assets	(119,180)	(1,149)	-	-	-	(120,329)
	(495,782)	(76,622)	4,591	(150)	(3,171)	(571,134)
Net book value	186,679					209,019

Amortisation expenses related to intangible assets have been accounted under marketing expenses.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOT 11 - GOODWILL

	2022	2021
Opening, 1 January	2,252,992	2,252,992
Additions (*)	88,186	-
Closing, 31 December	2,341,178	2,252,992

(*) As of 1 April 2022, Migros increased its shares of Paket Lojistik ve Teknoloji A.Ş. from 25% to 75% in return for TRY 104,500. The company's identifiable assets are 88,632 TRY. Goodwill is TRY 88,186.

Impairment tests for goodwill:

The whole amount of goodwill is related to the acquisition of Migros, the Group management considers the synergy to be created by the important domestic market position as the main reason for the goodwill. Accordingly, the Group management allocated the above mentioned goodwill amount to Turkish domestic operations which is the main cash generating unit, considering its market share and importance of the total turnover of the domestic operations in the Group consolidation.

The recoverable amount of cash-generating unit was determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, which are based on TRY budgets approved by the Group management covering an five year period.

Subsequent projected cash flows over a five year period were calculated without regard to any growth rate, and the analysis predicted that the existing profitability structure would be preserved.

In the calculations made as of 31 December 2022, the future cash flows calculated with balance sheet date prices are discounted with an average of 11.3%. The discount rate used is the after-tax discount rate and includes risks specific to the Group. The fact that the after-tax discount rate used in the calculation of discounted cash flows is higher/lower by 1% (such as 12.3 % or 10.3% instead of 11.3%) causes a decrease/increase of TRY 791,902 (2021: TRY 262,994) in the fair value calculations for which sales costs are deducted, as of 31 December 2022. Within the context of analysis performed by the Group Management, above mentioned changes in the key assumptions on which recoverable amount is based would not cause carrying amount to exceed its recoverable amount.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 12 - RIGHT OF USE ASSETS

For 31 December 2022 and 2021, movement on right of use assets is as follows:

Cost	1 January 2022	Additions (*)	31 December 2022
Buildings	4,264,990	2,208,515	6,473,505
	4,264,990	2,208,515	6,473,505
Accumulated Amortisation			
Buildings	(1,479,524)	(706,844)	(2,186,368)
	(1,479,524)	(706,844)	(2,186,368)
Net book value	2,785,466		4,287,137

(*) As of 31 December 2022, cost amounting to TRY 10,056, accumulated depreciation amounting to TRY 4,928 and depreciation expense amounting to TRY 3,044 included in right-of-use asset additions as a result of business combinations as of 31 December 2022.

Cost	1 January 2021	İlaveler	Çıkışlar	31 December 2021
Buildings	3,754,329	550,351	(39,690)	4,264,990
	3,754,329	550,351	(39,690)	4,264,990
Accumulated Amortisation				
Buildings	(964,585)	(520,275)	5,336	(1,479,524)
	(964,585)	(520,275)	5,336	(1,479,524)
Net book value	2,789,744			2,785,466

Amortisation expenses related to right of use asset have been accounted under marketing expenses.

Short-term lease liabilities

	31 December 2022	31 December 2021
Lease liabilities	1,209,016	759,335
	1,209,016	759,335

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 12 - RIGHT OF USE ASSETS (Continued)

Long-term lease liabilities

	31 December 2022	31 December 2021
Lease liabilities	3,605,501	2,349,110
	3,605,501	2,349,110

Liabilities from long-term lease transactions as of 31 December 2022:

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
TRY	547,979	534,487	510,549	374,003	1,638,483	3,605,501
	547,979	534,487	510,549	374,003	1,638,483	3,605,501

Liabilities from long-term lease transactions as of 31 December 2021:

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
TRY	357,027	348,086	332,640	243,676	1,067,681	2,349,110
	357,027	348,086	332,640	243,676	1,067,681	2,349,110

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 13 - BORROWINGS

	31 December 2022		
	Effective interest rate (%)	In original currency	Total TRY equivalent
Short term borrowings			
Fixed interest rate - TRY	14.86	109,363	109,363
Floating interest rate - TRY	18.14	299,272	299,272
Total short term borrowings			408,635
Current portion of long term borrowings			
Fixed interest rate - TRY	18.75	776,781	776,781
Kazakhstan loan - Tenge	13.97	1,201,621	48,609
Total current portion of long term borrowings			825,390
Total short term borrowings			1,234,025
Long term borrowings			
Fixed interest rate - TRY	18.18	1,355,675	1,355,675
Kazakhstan loan - Tenge	13.97	1,262,528	51,073
Total long term borrowings			1,406,748
Total financial liabilities			2,640,773

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 13 - BORROWINGS (Continued)

The redemption schedule of borrowings with effective interest rate at 31 December 2022 is as follows:

	Tenge loan TRY equivalent	TRY Loan	Total (TRY equivalent)
1 January 2023 - 31 December 2023	48,609	1,185,416	1,234,025
1 January 2024 - 31 December 2024	40,683	807,999	848,682
1 January 2025 - 31 December 2025	10,390	411,927	422,317
1 January 2026 - 14 December 2026	-	135,749	135,749
	99,682	2,541,091	2,640,773

The fair value of borrowings at 31 December 2022 is TRY 2,382,017.

The redemption schedule of principal amounts of borrowings at 31 December 2022 is as follows:

	Tenge loan TRY equivalent	TRY Loan	Total (TRY equivalent)
1 January 2023 - 31 December 2023	47,516	893,053	940,569
1 January 2024 - 31 December 2024	40,683	778,840	819,523
1 January 2025 - 31 December 2025	10,390	566,639	577,029
1 January 2026 - 14 December 2026	-	235,409	235,409
	98,589	2,473,941	2,572,530

The redemption schedule of contractual cash outflows, which consists of principal and interest, of borrowings at 31 December 2022 is as follows:

	Tenge loan TRY equivalent	TRY Loan	Total (TRY equivalent)
1 January 2023 - 31 December 2023	59,005	1,282,583	1,341,588
1 January 2024 - 31 December 2024	45,803	1,058,614	1,104,417
1 January 2025 - 31 December 2025	11,129	645,024	656,153
1 January 2026 - 14 December 2026	-	281,309	281,309
	115,937	3,267,530	3,383,467

The Group has the obligation to comply with the various credit commitments in the loan agreement in the interest of the said bank credits. The financial ratios calculated on the financial statements as of 31 December 2022 are in line with the provisions of the bank loan agreement.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 13 - BORROWINGS (Continued)

The movement schedule of borrowings as of 31 December 2022 and 2021 is as follows;

	2022	2021
Beginning balance, 1 January	2,971,319	3,837,750
Proceeds of borrowings	708,000	922,521
Payments (-)	(1,061,948)	(1,923,239)
Foreign exchange losses	27,545	97,020
Interest accrual	(21,808)	(4,361)
Effect of subsidiaries included in the consolidation for the first time	17,665	-
Change due to subsidiary sale	-	41,628
Ending balance, 31 December	2,640,773	2,971,319

	31 December 2021		
	Effective interest rate (%)	In original currency	Total TRY equivalent
Short term borrowings			
Fixed interest rate - TRY	17.87	459,096	459,096
Floating interest rate - TRY	17.87	256,764	256,764
Total short term borrowings			715,860
Current portion of long term borrowings			
Floating interest rate - TRY	20.31	49,654	49,654
Fixed interest rate - TRY	16.98	486,504	486,504
Kazakhstan loan - EUR	4.50	23	341
Kazakhstan loan - Tenge	13.97	1,065,687	32,965
Total current portion of long term borrowings			569,464
Total short term borrowings			1,285,324
Long term borrowings			
Floating interest rate - TRY	20.31	249,929	249,929
Fixed interest rate - TRY	16.85	1,291,278	1,291,278
Kazakhstan loan - EUR	4.50	4,600	69,399
Kazakhstan loan - Tenge	13.97	2,437,132	75,389
Total long term borrowings			1,685,995
Total financial liabilities			2,971,319

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 13 - BORROWINGS (Continued)

The redemption schedule of borrowings with effective interest rate at 31 December 2021 is as follows:

	Tenge loan TRY equivalent	Euro loan TRY equivalent	TRY Loan	Total (TRY equivalent)
1 January 2022 - 31 December 2022	32,965	341	1,252,018	1,285,324
1 January 2023 - 31 December 2023	36,334	24,139	718,502	778,975
1 January 2024 - 31 December 2024	31,109	45,260	487,819	564,188
1 January 2025 - 31 December 2025	7,945	-	280,732	288,677
1 January 2026 - 14 December 2026	-	-	54,155	54,155
	108,353	69,740	2,793,226	2,971,319

The fair value of borrowings at 31 December 2021 is TRY 2,936,696.

The redemption schedule of principal amounts of bank borrowings at 31 December 2021 is as follows:

	Tenge loan TRY equivalent	Euro loan TRY equivalent	TRY Loan	Total (TRY equivalent)
1 January 2022 - 31 December 2022	32,010	-	938,119	970,129
1 January 2023 - 31 December 2023	36,334	24,139	663,857	724,330
1 January 2024 - 31 December 2024	31,109	45,260	572,013	648,382
1 January 2025 - 31 December 2025	7,945	-	423,719	431,664
1 January 2026 - 14 December 2026	-	-	111,408	111,408
	107,398	69,399	2,709,116	2,885,913

The redemption schedule of contractual cash outflows, which consists of principal and interest, of borrowings at 31 December 2021 is as follows:

	Tenge loan TRY equivalent	Euro loan TRY equivalent	TRY Loan	Total (TRY equivalent)
1 January 2022 - 31 December 2022	40,786	2,610	1,360,531	1,403,927
1 January 2023 - 31 December 2023	42,932	27,262	924,558	994,752
1 January 2024 - 31 December 2024	33,997	45,773	736,195	815,965
1 January 2025 - 31 December 2025	8,362	-	501,354	509,716
1 January 2026 - 14 December 2026	-	-	132,604	132,604
	126,077	75,645	3,655,242	3,856,964

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions	31 December 2022	31 December 2021
Provision for personnel expenses (*)	309,998	-
Provision for litigation	151,798	121,537
Provision for customer loyalty programs	3,114	1,126
Competition board penalty (**)	-	388,255
	464,910	510,918

(*) Provisions for personnel expenses consist of subcontractor service costs and premium provisions.

(**) With the Competition Board's resolution dated 28 October 2021 and numbered 21-53/747-360, it was determined that number of enterprises of retailer and supplier violated Article 4 of the Law No. 4054. Based on this resolution, the provision amount of TRY 388,854 was paid without prejudice on 11 February 2022 and reflected in the consolidated financial statements. The payment of the fine or its reflection on the Company's financial statements does not mean that the charges subject to the penalty have been accepted, and the lawsuit regarding the cancellation of the penalty and the suspension of execution has been filed in the relevant court within the legal period. With its decision dated 15 June 2022, the 7th Administrative Court of Ankara rejected Migros' request for a suspension of execution. Migros appealed against the court's refusal decision. In the current situation, the trial process continues.

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.

Movements in the provision for litigation during the year are as follows:

	2022	2021
Beginning balance, 1 January	121,537	94,561
Increase during year	55,556	44,704
Payments (-)	(25,295)	(17,728)
Ending balance, 31 December	151,798	121,537

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

**NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES
(Continued)**

Collaterals, Pledges, Mortgages

31 December 2022:

	TRY equivalent	TRY	USD	EUR
A. CPM given on behalf of the Company's legal personality	474,402	461,831	651	20
B. CPM given on behalf of fully consolidated subsidiaries	99,681	-	5,331	-
Total collaterals, pledges and mortgages	574,083	461,831	5,982	20
Proportion of the other CPM's to equity (%)	-			

31 December 2021:

	TRY equivalent	TRY	USD	EUR
A. CPM given on behalf of the Company's legal personality	231,077	222,400	651	-
B. CPM given on behalf of fully consolidated subsidiaries	144,788	-	5,656	4,600
Total collaterals, pledges and mortgages	375,865	222,400	6,307	4,600
Proportion of the other CPM's to equity (%)	-			

Contingent assets and liabilities

Guarantees given at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Letter of guarantees given	574,083	375,865
	574,083	375,865

Guarantees received at 31 December 2022 and 2021 are as follows:

	30 December 2022	31 December 2021
Guarantees obtained from customers	448,876	279,196
Mortgages obtained from customers	25,522	21,280
	474,398	300,476

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 15 - EMPLOYEE BENEFITS

	31 December 2022	31 December 2021
Payables to personnel	425,106	219,193
Social security payables	327,101	72,557
	752,207	291,750

	31 December 2022	31 December 2021
Provision for employment termination benefits	1,279,290	383,554
Provision for unused vacation	572,201	187,690
	1,851,491	571,244

Movement of provision for unused vacation for the years ended in 31 December 2022 and 2021 is as follows:

	2022	2021
Beginning balance, 1 January	187,690	158,126
Provision for the year	406,161	41,794
Used in year (-)	(21,650)	(12,230)
Ending balance, 31 December	572,201	187,690

Movement of provision for employee termination benefits for the years ended in 31 December 2022 and 2021 is as follows:

Provision for employment 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.

In the consolidated financial statements as of 31 December 2022 and 2021, 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.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 15 - EMPLOYEE BENEFITS (Continued)

The following actuarial assumptions were used in the calculation of the total liability:

	2022	2021
Discount rate (%)	0.00	4.35
Turnover rate to estimate the probability of retirement (%)	69.79-91.70	91.91 - 100

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 TRY 19,982.83 effective from 1 January 2023 has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

The movement of the severance pay provision account for the years ended as of 31 December 2022 and 2021 is presented below:

	2022	2021
Beginning balance, 1 January	383,554	257,690
Provision during year	72,842	176,656
Payments (-)	(92,852)	(45,592)
Actuarial losses/(gains)	915,746	(5,200)
Ending balance, 31 December	1,279,290	383,554

NOTE 16 - REVENUE

	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales	75,604,235	36,864,800
Other sales	125,534	46,187
Gross sales	75,729,769	36,910,987
Discounts and returns (-)	(1,227,792)	(638,744)
Sales revenue, net	74,501,977	36,272,243
Cost of sales (-)	(56,702,390)	(27,517,740)
Gross profit	17,799,587	8,754,503

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 16 – REVENUE (Continued)

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

	1 January - 31 December 2022	1 January - 31 December 2021
Retail sales revenue	72,611,999	35,487,485
Wholesale revenue	2,560,261	1,165,865
Rent income	431,975	211,450
	75,604,235	36,864,800

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	6,290,824	3,308,763
Rent and common area expenses	1,858,763	873,672
Energy expenses	1,391,959	465,906
Depreciation and amortisation expenses	1,178,268	907,185
Information technology maintenance expenses	443,522	212,094
Porterage and cleaning expenses	420,483	239,735
Advertising expenses	396,106	236,466
Repair and maintenance expenses	219,893	123,105
Security expenses	111,947	75,634
Taxes and other fee expenses	50,688	34,690
Communication expenses	32,876	24,061
Other	614,313	266,197
	13,009,642	6,767,508

Marketing expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	5,497,387	2,939,865
Rent and common area expenses	1,832,936	859,835
Energy expenses	1,386,193	462,984
Depreciation and amortisation expenses	1,178,268	907,185
Porterage and cleaning expenses	408,038	233,616
Information technology maintenance expenses	414,234	196,416
Advertising expenses	395,203	236,462
Repair and maintenance expenses	215,869	106,353
Security expenses	107,780	73,274
Taxes and other fee expenses	41,639	31,337
Communication expenses	28,853	19,282
Other	456,694	215,635
	11,963,094	6,282,244

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 17 - EXPENSES BY NATURE (Continued)

General administrative expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	793,437	368,898
Other	253,111	116,366
	1,046,548	485,264

Expenses by nature in cost of sales for the years 1 January - 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Cost of goods sold	(56,597,716)	(27,483,280)
Cost of service rendered	(104,674)	(34,460)
	(56,702,390)	(27,517,740)

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

NOTE 18 - OTHER OPERATING INCOME AND EXPENSES

Other operating income

	1 January - 31 December 2022	1 January - 31 December 2021
Interest income on term sales	397,258	281,637
Other	77,496	24,455
	474,754	306,092

Other operating expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Interest expense on term purchases (*)	(2,138,132)	(1,116,476)
Litigation provision	(365,556)	(432,959)
Bad debt provision expense	(10,497)	(4,459)
Other	(25,494)	(30,797)
	(2,539,679)	(1,584,691)

(*) Term purchases are discounted to the present value with the relevant government securities interest rates for each month, and as a result, forward purchase interest expenses are calculated. Average interest rate in 2022 is 16.3% (2021: 18.3%)

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 19 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities

	1 January - 31 December 2022	1 January - 31 December 2021
Currency protected deposit income	27,708	-
Gain on sale of property, plant and equipment	24,321	12,047
Subsidiary sales profit (*)	-	213,163
	52,029	225,210

(*) The Group recorded a sales profit of TRY 213,163 arising from the sale of its subsidiary Ramstore Macedonia DOO ("Ramstore Macedonia") in accordance with the share transfer agreement dated 9 March 2021. TRY 205,743 of this amount is due to the classification of the foreign currency translation differences that the subsidiary accounted for in other comprehensive income in the previous periods, and the total effect of the transaction on equity is TRY 7,420

Expense from investing activities

	1 January - 31 December 2022	1 January - 31 December 2021
Losses from leasehold improvements of closed stores	(3,004)	(1,609)
Losses on sale of property, plant and equipment	(3,317)	(7,863)
	(6,321)	(9,472)

NOTE 20 - FINANCIAL INCOME

	1 January - 31 December 2022	1 January - 31 December 2021
Interest income on bank deposits	531,271	151,399
Foreign exchange gains	187,829	228,851
Financial income on derivatives	2,017	37,480
	721,117	417,730

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 21 - FINANCIAL EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Interest expense on lease liabilities	(653,749)	(503,735)
Interest expense on bank borrowings	(558,865)	(481,447)
Credit card commission expenses	(224,905)	(58,310)
Foreign exchange losses	(46,194)	(40,471)
Financial expense on derivatives	(25,669)	(5,459)
Other	(74,217)	(26,955)
	(1,583,599)	(1,116,377)

NOTE 22 - TAX ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Corporate and income taxes payable	279,518	185,780
Less: Prepaid current income taxes	(421,482)	(136,495)
Current tax assets /(liabilities)	(141,964)	49,285
	31 December 2022	31 December 2021
Deferred tax assets	1,339,348	312,225
Deferred tax liabilities	(176,781)	(45,118)
Deferred tax assets, net	1,162,567	267,107

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 23% (2021: 25%).

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 December 31, 2022 Turkey and Kazakhstan respectively 23% and 20% (2021: 25% and 20%).

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

The details of taxation on income for the years ended 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Income tax expense	(321,496)	(191,852)
Deferred tax income	993,079	324,568
Current year tax income	671,583	132,716
	1 January - 31 December 2022	1 January - 31 December 2021
Profit before tax	1,908,246	225,487
Calculated tax income according to parent company tax rate (23%) (2021:25%)	(438,897)	(56,372)
Differences in tax rate of subsidiaries	89	(491)
Expected tax expense of the Group	(438,808)	(56,863)
Effect of non-deductable expenses	(185,372)	(171,455)
Exemption for R&D and other discounts	36,420	12,452
Tax effect of other income exempt from tax	80,361	30,442
Effect of temporary differences which no deferred tax assets are recognised	23,722	31,152
Effective tax rate difference	-	13,912
Revaluation effect of property, plant and equipment and intangible asset (*)	1,205,181	271,175
Other differences	(49,921)	1,901
The Group's tax income	671,583	132,716

- (*) Temporary Article 32 of Law No. 213 added via Article 52 of Law No. 7338 on Amending the Tax Procedure Law and Certain Laws dated 14 October 2021, and paragraph (Ç) added to duplicated Article 298 of Law No. 213 via Law No. 7338 enable taxpayers that fall within scope to revalue the properties listed on their balance sheets and other depreciable financial assets as of the end of the previous accounting period, before performing revaluation. The assets in scope will be depreciated using their revaluation amount, and a 2% tax will be paid on the increased value. In the scope of the relevant law adjustment, a deferred tax asset was generated in the financial position statement as per revaluation records of fixed assets in the legal books, and the deferred tax revenue of the relevant assets was recorded on the consolidated income statement.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

Deferred taxes

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 December 2022 and 2021 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deferred tax assets:				
Property, plant and equipment and intangible assets	3,233,328	121,966	651,148	18,633
Inventories	528,383	358,208	105,677	82,388
Short term provisions	999,651	275,202	199,819	63,296
TFRS 16 effect	615,094	372,117	123,019	85,587
Provision for employee termination benefits	1,279,290	383,554	255,858	76,711
Finance income not accrued from future sales	3,796	1,129	759	260
Other	15,111	(888)	3,068	(1,089)
			1,339,348	325,786
Deferred tax liabilities:				
Financial investment fair value change	(524,212)	-	(131,053)	-
Finance expense not accrued From future sales	(223,156)	(232,093)	(44,631)	(53,381)
Fair value change of derivative financial instruments	(5,486)	(23,035)	(1,097)	(5,298)
			(176,781)	(58,679)
Total deferred tax assets, net			1,162,567	267,107

Movements of deferred tax assets and liabilities are as follows:

	2022	2021
Opening balance, 1 January	267,107	(13,005)
Deferred tax income from continuing operations	993,079	324,568
Recognized on other comprehensive income	(98,617)	(47,310)
- Remeasurement gains/(losses) from defined benefit plans	183,149	(1,040)
- Property plant and equipment revaluation increases	(150,713)	(46,270)
- Financial investment fair value difference	(131,053)	-
Currency translation differences	998	2,854
Closing balance, 31 December	1,162,567	267,107

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The shareholders of the Company and their shareholdings stated at historical amounts at 31 December 2022 and 2021 are stated below:

	31 December 2022		31 December 2021	
	TRY	Share (%)	TRY	Share (%)
MH Perakendecilik ve Ticaret A.Ş.	89,046	49.18	89,046	49.18
Migros Ticaret A.Ş.	2,962	1.64	2,962	1.64
Other	89,046	49.18	89,046	49.18
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 TRY 48,998, corresponding to Kipa shares with a total nominal value of TRY 2,962 which were converted to Migros shares due to the merger were purchased by Migros with a total amount of TRY 125,435 within the scope of separation funds.

The Company's legal records in 2022 shows that the maximum amount of other shares which is not create additional corporate tax and can be included in profit sharing is TRY 680,945.

NOTE 24 – RELATED PARTY DISCLOSURES

a) Balances with related parties

As of 31 December 2022 and 2021, due from and due to related parties are as follows:

Trade receivables from related parties

	31 December 2022	31 December 2021
Anadolu Isuzu Otomotiv Sanayi ve Tic. A.Ş. ⁽¹⁾	2,930	699
Anadolu Efes Spor Kulübü ⁽¹⁾	245	-
Anadolu Motor Üretim ve Pazarlama A.Ş. ⁽¹⁾	155	117
Mimeda Medya Platform A.Ş. ⁽¹⁾	-	3,000
Other	1,996	251
	5,326	4,067

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 24 – RELATED PARTY DISCLOSURES (Continued)

Trade payables to related parties

	31 December 2022	31 December 2021
Efes Pazarlama ve Dağıtım Ticaret A.Ş. ⁽¹⁾	357,375	175,214
Coca Cola Satış ve Dağıtım A.Ş. ⁽¹⁾	275,389	112,804
AEH Sigorta Acenteliği A.Ş. ⁽¹⁾	63,501	104
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş. ⁽¹⁾	9,375	8,028
Adel Kalemcilik Ticaret ve San. A.Ş. ⁽¹⁾	6,462	16,170
Other	2,427	148
	714,529	312,468

b) Transactions with related parties

Significant transactions regarding purchases and sales with related parties for the years ending on 31 December 2022 and 2021 are as follows:

Inventory purchases

	1 January - 31 December 2022	1 January - 31 December 2021
Efes Pazarlama ve Dağıtım Ticaret A.Ş. ⁽¹⁾	1,195,900	628,561
Coca Cola Satış ve Dağıtım A.Ş. ⁽¹⁾	1,247,739	490,253
Adel Kalemcilik Ticaret ve San. A.Ş. ⁽¹⁾	26,554	17,093
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş. ⁽¹⁾	34,038	43,238
	2,504,231	1,179,145

(1) AG Anadolu Grubu Holding group companies

Other transactions

	1 January - 31 December 2022	1 January - 31 December 2021
Rent revenue	-	1,445
Rent expenses	(11,211)	(6,810)
Other income	184	815
Other transactions, net	(11,027)	(4,550)

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 24 – RELATED PARTY DISCLOSURES (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 years ended 31 December 2022 and 2021 is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Short term benefits	131,555	71,186
	131,555	71,186

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

NOTE 25 - EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of ordinary shares outstanding during the related period.

	1 January - 31 December 2022	1 January - 31 December 2021
Net profit attributable to shareholders	2,570,283	358,881
Weighted average number of shares with Kr1 face value each('000)	18,105,233	18,105,233
Earnings per share	14.20	1.98

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

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize their potential adverse effects on the financial performance of the Group.

Individual subsidiaries manage their risk under policies approved by their Boards of Directors.

Interest rate risk

The Group management invests its interest bearing assets on short-term investments with the principle of balancing the maturity of the assets and liabilities that are sensitive to the interest rate changes.

The interest position table of the Group as of 31 December 2022 and 2021 is as follows:

Financial instruments with fixed interest rate	31 December 2022	31 December 2021
Time deposits	4,218,001	1,424,556
Financial liabilities	2,341,501	2,414,972
Lease liabilities	4,814,517	3,108,445
Financial instruments with floating interest rate	31 December 2022	31 December 2021
Financial liabilities	299,272	556,347

Liquidity and funding risk:

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The funding risk of the current and future debt requirements is managed through the continuous availability of qualified lenders. As of 31 December 2022, the Group's financial debt with a maturity longer than 1 year is TRY 1,406,748 (2021: TRY 1,685,995).

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

**NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

The maturity analysis of the Group's financial liabilities as of 31 December 2022 and 2021 is as follows:

Non derivative financial liabilities:

2022	Carrying value	Contractual cash outflows	Less than 3 months	3 months- 12 months	1 years- 5 years
Financial payables	2,640,773	3,383,467	411,746	929,842	2,041,879
Trade payables	21,039,843	21,261,890	17,316,470	3,945,420	-
Other payables	1,142,401	1,142,401	1,110,167	-	32,234
	24,823,017	25,787,758	18,838,383	4,875,262	2,074,113

Non derivative financial liabilities:

2021	Carrying value	Contractual cash outflows	Less than 3 months	3 months- 12 months	1 years- 5 years
Financial payables	2,971,319	3,856,964	268,866	1,135,061	2,453,037
Trade payables	9,581,881	9,813,078	8,035,867	1,777,211	-
Other payables	542,648	542,648	516,771	-	25,877
	13,095,848	14,212,690	8,821,504	2,912,272	2,478,914

Credit risk

The Group is exposed to credit risk due to its sales other than retail sales. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by limiting the aggregate risk from any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer base.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

**NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

As of 31 December 2022 and 2021, the details of credit and receivables risk are as follows. In determining the amount, factors that increase credit reliability, such as guarantees received, were not taken into account.

	Trade Receivables			
	Third party	Related party	Other receivables	Deposits in bank
2022				
Maximum risk exposed credit risk as of reporting date (A+B+C+D)	481,936	5,326	645,069	5,002,360
-Secured portion of maximum credit risk bu guarantees etc.	105,860	-	-	-
A. Net book value of financial assets either are not due or not impaired	459,276	5,326	645,069	5,002,360
Secured portion bu guarantees etc.	105,229	-	-	-
B. Net book value of the expired or not impaired financial assets	-	-	-	-
- Secured portion bu guarantees etc.	-	-	-	-
C. Net bok value of assets that are overdue but not impaired	22,660	-	-	-
Secured portion bu guarantees etc.	631	-	-	-
D. Net book value of assets that are impaired	-	-	-	-
overdue (gross book value)	125,947	-	-	-
impairment (-)	(125,947)	-	-	-
Secured portion bu guarantees etc.	-	-	-	-
	Trade Receivables			
	Third party	Related party	Other receivables	Deposits in bank
2021				
Maximum risk exposed credit risk as of reporting date (A+B+C+D)	173,838	4,067	47,259	1,504,933
-Secured portion of maximum credit risk bu guarantees etc.	42,717	-	-	-
A. Net book value of financial assets either are not due or not impaired	156,666	4,067	47,259	1,504,933
Secured portion bu guarantees etc.	31,006	-	-	-
B. Net book value of the expired	-	-	-	-
Secured portion bu guarantees etc.	-	-	-	-
C. Net bok value of assets that are overdue but not impaired	10,007	-	-	-
Secured portion bu guarantees etc.	4,546	-	-	-
D. Net book value of assets that are impaired	7,165	-	-	-
overdue (gross book value)	107,610	-	-	-
impairment (-)	(100,445)	-	-	-
Secured portion bu guarantees etc.	7,165	-	-	-

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

**NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

As of the reporting date, there are no uncollected, overdue, and renegotiated bank deposits nor credit card receivables present at the Group portfolio, thus the Group is in the opinion that there are no credit risks regarding these assets.

Aging of the receivables which are overdue but not impaired

	31 December 2022	31 December 2021
Between 0-1 month	2,310	2,918
Between 1-3 month	203	551
Between 3-12 month	16,168	2,915
Between 1-5 years	3,979	3,623
	22,660	10,007

Capital risk

Net debt ratio as of 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Total liabilities	32,334,117	17,564,261
Less: Cash and cash equivalents	(8,034,289)	(3,634,937)
Net debt	24,299,828	13,929,324
Equity attributable to holders of parent	4,045,688	536,064
Equity + net debt	28,345,516	14,465,388
	85.73%	96.29%

NOTE 27 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION

Exchange Rate Risk

The Group is exposed to foreign exchange risk primarily arising from financial assets denominated in foreign currencies. Aforementioned foreign exchange risk is monitored and limited with derivative instruments. As of 31 December 2022, if both Euro and US dollar currencies would have appreciated against TRY 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 and US dollar would have been TRY 125,717 higher. (31 December 2021: TRY 44,610)

The profit before tax effect can be broken down in terms of currencies in such a way that that the change amounting to TRY 8,987 is due to the change in Euro and the change amounting to TRY 116,730 is due to US dollar. (31 December 2021: The effect of the change in the Euro is 36,208 TRY, the effect of the change in the US Dollar is TRY 8,402.)

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

NOTE 27 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

	FOREIGN CURRENCY POSITION							
	31 December 2022				31 December 2021			
	Total TRY equivalent	USD	EUR	Other TRY equivalent	Total TRY equivalent	USD	EUR	Other TRY equivalent
Monetary financial assets	637,026	31,214	2,254	8,444	290,178	2,870	16,623	1,138
Other	168	9	-	-	120	9	-	-
Current assets	637,194	31,223	2,254	8,444	290,298	2,879	16,623	1,138
Total assets	637,194	31,223	2,254	8,444	290,298	2,879	16,623	1,138
Financial liabilities	-	-	-	-	341	-	23	-
Trade payables	7,181	12	349	-	-	-	-	-
Current liabilities	7,181	12	349	-	341	-	23	-
Financial liabilities	-	-	-	-	69,399	-	4,600	-
Non-monetary other liabilities	10,825	-	543	-	8,403	-	557	-
Non-current liabilities	10,825	-	543	-	77,802	-	5,157	-
Total liabilities	18,006	12	892	-	78,143	-	5,180	-

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

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

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

NOTE 27 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

	FOREIGN CURRENCY POSITION							
	31 December 2022				31 December 2021			
	Total TRY equivalent	USD	EUR	Other TRY equivalent	Total TRY equivalent	USD	EUR	Other TRY 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	619,181	31,211	1,363	8,444	212,155	2,879	11,443	1,138
Net foreign currency asset/(liability) position of monetary items	629,840	31,214	2,254	8,444	220,438	2,870	12,000	1,138
Fair value hedge funds of foreign currency	351,125	-	17,614	-	-	-	-	-
Hedge amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedge amount of foreign currency liabilities	-	-	-	-	-	-	-	-
Export	-	-	-	-	-	-	-	-
Import	399,153	21,347	-	-	233,916	17,549	-	-

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 27 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

Foreign currency sensitivity analysis as of 31 December 2022 and 2021 is as follows:

31 December 2022

	Gain/Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
20% change in Euro exchange rate		
Euro net asset/liability	8,987	(8,987)
20% change in US dollar exchange rate		
US dollar net asset/liability	116,730	(116,730)
Net effect	125,717	(125,717)

31 December 2021

	Gain/Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
20% change in Euro exchange rate		
Euro net asset/liability	36,208	(36,208)
20% change in US dollar exchange rate		
US dollar net asset/liability	8,402	(8,402)
Net effect	44,610	(44,610)

NOTE 28 - 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).

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 28 - FINANCIAL INSTRUMENTS (Continued)

The fair value hierarchy for the assets and liabilities measured at fair value as of 31 December 2022 and 2021 is as follows:

2022	Level 1	Level 2	Level 3	Total
Lands	-		1,319,758	1,319,758
Buildings	-		1,647,209	1,647,209
Derivative instruments	-	5,485		5,485
Long term financial investments	-	602,846	-	602,846
				3,575,298
2021	Level 1	Level 2	Level 3	Total
Lands	-	-	764,754	764,754
Buildings	-	-	766,812	766,812
Derivative instruments	-	23,034	-	23,034
Long term financial investments	-	97,059	-	97,059
				1,651,659

NOTE 29 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the Independent Audit Firm for the years 1 January - 31 December 2022 and 2021 are as follows:

	2022	2021
Audit and assurance fee	1,622	441
Tax consulting fee	735	175
Other non-audit services fee	195	-
	2,552	616

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

NOTE 30 – EVENTS AFTER THE REPORT

On 6 and 20 February 2023, earthquakes occurred and severely affected 10 cities in the east of Türkiye. The expected impact of the disaster on the Group’s financial statements are summarised as follows.

As of 31 January 2023, the Group has 2,927 stores throughout the country and 228 stores, all of which are leased and insured, in the 10 cities affected by the earthquake. In the current situation, an evaluation shows that 41 of these stores became unusable. This number may change based on additional evaluations. The 2022 turnover of these 41 stores was 631 million full TRY. Insurance pre-evaluation processes have started for these stores and their products and fixtures, and for some other stores in the region.

In addition to the operational impacts above, the Group made donations for earthquake relief and provided financial support to its employees in the region. Information about insurance compensation processes and clarification of donations and contributions will be stated in the 2023 reports.

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

**APPENDIX 1 - CONSOLIDATED STATEMENTS OF PROFIT OR LOSS BEFORE THE
EFFECT OF TFRS 16**

The effect of TFRS 16 standart on Group's financial statements are presented below:

	31 December 2022	TFRS 16 Effect	Before TFRS 16
ASSETS			
Current assets			
Prepaid expenses	443,527	4,720	438,807
Total current assets	20,123,315	4,720	20,118,595
Non-current assets			
Prepaid expenses	125,606	(33,252)	158,858
Right of use assets	4,287,137	4,287,137	-
Deferred tax assets	1,162,567	122,805	1,039,762
Total non-current assets	16,300,553	4,376,690	11,923,863
Total assets	36,423,868	4,381,410	32,042,458
LIABILITIES			
Current liabilities			
Lease liabilities	1,209,016	1,209,016	-
Total current liabilities	26,010,277	1,209,016	24,801,261
Non-current liabilities			
Lease liabilities	3,605,501	3,605,501	-
Total non-current liabilities	6,323,840	3,605,501	2,718,339
Total liabilities	32,334,117	4,814,517	27,519,600
EQUITY			
Attributable to equity holders of parent	4,045,688	(433,107)	4,478,795
Accumulated losses	(767,287)	(280,071)	(487,216)
Net profit for the year	2,570,283	(153,036)	2,723,319
Total equity	4,089,751	(433,107)	4,522,858
TOTAL LIABILITIES AND EQUITY	36,423,868	4,381,410	32,042,458

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

**APPENDIX 1 - CONSOLIDATED STATEMENTS OF PROFIT OR LOSS BEFORE THE
EFFECT OF TFRS 16 (Continued)**

	31 December 2022	TFRS 16 Effect	Before TFRS 16
PROFIT OR LOSS			
Revenue	74,501,977	-	74,501,977
Cost of sales (-)	(56,702,390)	173,408	(56,875,798)
Gross profit	17,799,587	173,408	17,626,179
General administrative expenses (-)	(1,046,548)	-	(1,046,548)
Marketing expenses (-)	(11,963,094)	289,732	(12,252,826)
Other operating income	474,754	-	474,754
Other operating expense (-)	(2,539,679)	56	(2,539,735)
Operating profit	2,725,020	463,196	2,261,824
Income from investing activities	52,029	-	52,029
Loss from investing activities (-)	(6,321)	-	(6,321)
Operating income before finance expense	2,770,728	463,196	2,307,532
Financial income	721,117	-	721,117
Financial expense (-)	(1,583,599)	(653,450)	(930,149)
Net profit before tax from continuing operations	1,908,246	(190,254)	2,098,500
Tax income from continuing operations	671,583	37,218	634,365
Income tax expense (-)	(321,496)	-	(321,496)
Deferred tax income	993,079	37,218	955,861
Net profit for the year	2,579,829	(153,036)	2,732,865

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

MİGROS TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

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

APPENDIX 2 - EBITDA

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 year, employee termination benefit provision expense, unused vacation liability expense on gross profit amount in consolidated statements of income.

	2022	2021	TFRS 16 Effect 2022	TFRS 16 Effect 2021	Before TFRS 16 2022	Before TFRS 16 2021
Revenue	74,501,977	36,272,243	-	-	74,501,977	36,272,243
Cost of goods sold (-)	(56,702,390)	(27,517,740)	173,408	151,758	(56,875,798)	(27,669,498)
Gross profit	17,799,587	8,754,503	173,408	151,758	17,626,179	8,602,745
General administrative expenses (-)	(1,046,548)	(485,264)	-	-	(1,046,548)	(485,264)
Marketing expenses (-)	(11,963,094)	(6,282,244)	289,732	234,902	(12,252,826)	(6,517,146)
Addition: Depreciation and amortisation expenses	1,178,268	907,185	701,916	520,275	476,352	386,910
EBITDA	5,968,213	2,894,180	1,165,056	906,935	4,803,157	1,987,245
Addition: Provision for employment termination benefit and unused vacation	318,210	160,628	-	-	318,210	160,628
EBITDA	6,286,423	3,054,808	1,165,056	906,935	5,121,367	2,147,873
Addition: Rent expense	-	-	-	-	2,763,270	1,601,520
EBITDAR	-	-	-	-	7,884,637	3,749,393

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