MİGROS TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2018

(ORIGINALLY ISSUED IN TURKISH)

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

MİGROS TİCARET A.Ş.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

MİGROS TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	31 March 2018	31 December 2017
ASSETS			
Current Assets:			
Cash and cash equivalents		1.181.595	1.617.380
Financial investments		15.580	10.596
Trade receivables			
Trade receivables from related parties	19	128	713
Trade receivables from third parties		99.054	96.197
Other receivables from third parties		42.619	42.512
Inventories	7	1.843.761	1.908.246
Prepaid expenses		61.792	50.673
Other current assets		7.146	5.890
Sub total		**3.251.675**	**3.732.207**
Assets held for sale		-	44.068
Total current assets		**3.251.675**	**3.776.275**
Non-current assets:			
Financial investments		1.165	1.165
Other receivables from third parties		3.860	3.596
Derivative instruments		-	10
Investment properties	4	356.615	342.731
Property, plant and equipment	5	3.736.988	3.740.288
Intangible assets			
Goodwill		2.252.992	2.252.992
Other intangible assets	6	159.608	160.687
Prepaid expenses		28.384	24.931
Total non-current assets		**6.539.612**	**6.526.400**
Total assets		**9.791.287**	**10.302.675**

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

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

MİGROS TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	31 March 2018	31 December 2017
LIABILITIES			
Current liabilities:			
Short term portion of long term borrowings	8	139.002	468.718
Short term borrowings	8	671.617	569.319
Trade payables			
Trade payables to related parties	19	160.710	182.490
Trade payables to third parties		3.558.095	3.771.651
Employee benefits payables		111.841	136.212
Other payables to third parties		77.203	135.349
Deferred income		54.199	47.670
Taxes on income	17	14.205	25.850
Short term provisions			
Short term provisions for employee benefits	10	119.028	110.855
Other short term provisions	9	74.272	63.144
Other current liabilities		8.425	4.838
Total current liabilities		**4.988.597**	**5.516.096**
Non-current liabilities:			
Long term borrowings	8	3.124.754	2.874.437
Other payables to third parties		9.800	8.778
Deferred income		2.040	2.500
Long term provisions			
Long term provisions for employee benefits	10	127.559	117.753
Deferred tax liabilities	17	250.016	255.963
Total non-current liabilities		**3.514.169**	**3.259.431**
Total liabilities		**8.502.766**	**8.775.527**
EQUITY			
Attributable to equity holders of parent	18	**1.234.079**	**1.470.494**
Share capital		178.030	178.030
Other capital reserves		(365)	(365)
Additional contribution to share capital		27.312	27.312
Other comprehensive income/(expense) not to be classified to profit or loss			
-Defined benefit plans re-measurement (losses)		(8.684)	(8.684)
-Revaluation fund of property, plant and equipment		741.646	743.700
Other comprehensive income/expense to be classified to profit or loss			
-Currency translation differences		47.320	45.311
Accumulated gain / (losses)		487.244	(27.516)
Net income/(loss)		(238.424)	512.706
Non-controlling interest		**54.442**	**56.654**
Total equity		**1.288.521**	**1.527.148**
Total liabilities and equity		**9.791.287**	**10.302.675**

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

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2018 AND 2017

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	1 January - 31 March 2018	1 January - 31 March 2017
Revenue	3,11	3.940.136	3.113.635
Cost of sales (-)	3,11	(2.863.052)	(2.296.306)
Gross profit		**1.077.084**	**817.329**
General administrative expenses (-)	12	(131.142)	(108.192)
Marketing expenses (-)	12	(831.401)	(633.890)
Other operating income	13	36.706	23.191
Other operating expense (-)	13	(96.368)	(67.273)
Operating profit		**54.879**	**31.165**
Income from investment activities	14	1.933	1.069.574
Expenses from investment activities (-)	14	(5.252)	(1.577)
Operating income before finance income/(expense)		**51.560**	**1.099.162**
Financial income	15	20.023	16.696
Financial expense (-)	16	(303.043)	(201.964)
Net (loss) / income before tax from continuing operations		**(231.460)**	**913.894**
Tax expense from continuing operations		**(9.183)**	**(7.861)**
- Income tax expense	17	(15.300)	(753)
- Deferred tax income / (expense)	17	6.117	(7.108)
Net (loss) / income		**(240.643)**	**906.033**
Net (loss) / income attributable to:			
- Non-controlling interest		(2.219)	(982)
- Equity holders of parent		(238.424)	907.015
(Loss) / Earning per share TRL	20	(1,34)	5,09

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

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2018 AND 2017

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	1 January - 31 March 2018	**1 January - 31 March 2017**
Net (loss) / income for the period	**(240.643)**	**906.033**
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
-Currency translation differences	2.016	7.468
Other comprehensive income/(loss)	**2.016**	**7.468**
Total comprehensive (loss) / income	**(238.627)**	**913.501**
Total comprehensive (loss) / income attributable to:		
-Non-controlling interests	(2.212)	(1.035)
-Equity holders of parent	(236.415)	914.536

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2018 AND 2017

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

					Other comprehensive income / expenses not to be reclassified to profit or loss	Other comprehensive income / expenses to be reclassified to profit or loss		Retained earnings				
	Share capital	**Other capital reserves**	**Additional contribution to share capital**	**Share premium**	**Defined benefit plans re-measurement (losses)**	**Cumulative translation differences**	**Restricted reserves**	**Accumulated gain / (losses)**	**Net (loss) / income for the period**	**Attributable to equity holders of the parent**	**Non - controlling interests**	**Total equity**
Balances at 1 January 2017	**178.030**	**(365)**	**27.312**	**678.233**	**(9.180)**	**23.512**	**439.138**	**(844.730)**	**(300.157)**	**191.793**	**820**	**192.613**
Transfers	-	-	-	-	-	-	-	(300.157)	300.157	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	59.865	59.865
Total comprehensive income	-	-	-	-	-	7.521	-	-	907.015	914.536	(1.035)	913.501
Net income for the period	-	-	-	-	-	-	-	-	907.015	907.015	(982)	906.033
Cumulative translation differences	-	-	-	-	-	7.521	-	-	-	7.521	(53)	7.468
Balances at 31 March 2017	**178.030**	**(365)**	**27.312**	**678.233**	**(9.180)**	**31.033**	**439.138**	**(1.144.887)**	**907.015**	**1.106.329**	**59.650**	**1.165.979**
Balances at 1 January 2018	**178.030**	**(365)**	**27.312**	**-**	**735.016**	**45.311**	**-**	**(27.516)**	**512.706**	**1.470.494**	**56.654**	**1.527.148**
Transfers	-	-	-	-	(2.054)	-	-	514.760	(512.706)	-	-	-
Total comprehensive income	-	-	-	-	-	2.009	-	-	(238.424)	(236.415)	(2.212)	(238.627)
Net income for the period	-	-	-	-	-	-	-	-	(238.424)	(238.424)	(2.219)	(240.643)
Cumulative translation differences	-	-	-	-	-	2.009	-	-	-	2.009	7	2.016
Balances at 31 March 2018	**178.030**	**(365)**	**27.312**	**-**	**732.962**	**47.320**	**-**	**487.244**	**(238.424)**	**1.234.079**	**54.442**	**1.288.521**

MİGROS TİCARET A.Ş

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2018 AND 2017

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

	Notes	1 January - 31 March 2018	1 January - 31 March 2017
Cash flow from operating activities:			
Net (loss) / income for the period		(240.643)	906.033
Adjustments related to reconciliation of (loss) / profit		**469.241**	**(718.493)**
Adjustments for depreciation and amortisation expenses	12	69.585	58.673
Adjustments for impairment on receivables	13	1.511	1.456
Adjustments for inventory provisions	7	7.413	29.815
Adjustments for impairment on property, plant and equipment	14	990	1.267
Adjustments for provision for employee benefits	10	29.717	23.719
Adjustments for provision for litigation	9	8.781	1.025
Adjustments for interest income		(12.597)	(9.286)
Adjustments for interest expense	16	69.625	54.610
Adjustments for deferred financing due to forward purchases expenses	13	79.850	56.372
Adjustments for unearned finance income from sales	13	(21.012)	(13.178)
Adjustments for foreign exchange losses related to bank borrowings	8	223.856	138.117
Adjustments for fair value losses arising from derivatives	16	10	320
Adjustments for income tax expense	17	9.183	7.861
Loss on sale of property plant and equipment		2.329	255
Subsidiary acquisition profit		-	(1.069.519)
Changes in net working capital		**(260.099)**	**(125.174)**
Adjustments for increase in trade receivables		(2.695)	(3.736)
Adjustments for increase in inventories		57.072	(144.918)
Adjustments for increase in other receivables related with operations		(20.222)	(8.620)
Adjustments for increase in trade payables		(230.241)	46.544
Adjustments for increase in other payables related with operations		(64.013)	(14.444)
Cash flows from operating activities		**(31.501)**	**62.366**
Employee benefits paid	10	(11.738)	(7.018)
Interest received		31.406	20.964
Interest paid		(84.945)	(63.215)
Taxes paid		(29.988)	(20.037)
Compensations paid	9	(3.307)	(610)
Net cash provided by operating activities		**(130.073)**	**(7.550)**

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2018 AND 2017

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	1 January - 31 March 2018	1 January - 31 March 2017
Cash flows from investing activities:			
Cash outflows from the purchase of investment properties, tangible and intangible assets	4, 5, 6	(77.409)	(62.226)
Cash inflows from the sale of tangible and intangible assets	4, 5, 6, 14	44.804	94
Cash outflows due to subsidiary acquisition		-	(103.541)
Other cash inflows		-	49.166
Net cash used in investing activities		**(32.605)**	**(116.507)**
Cash flows from financing activities			
Proceeds from borrowings	8	101.268	171.821
Repayment of borrowings	8	(309.800)	-
Interest received	15	1.114	1.500
Interest paid		(62.050)	(7.126)
Net cash provided by financing activities		**(269.468)**	**166.195**
(Decrease) / Increase in cash and cash equivalents before effect of exchange rate changes		**(432.146)**	**42.138**
Impact of foreign currency translation differences on cash and cash equivalents		(3.639)	956
Net (decrease) / increase in cash and cash equivalents		(435.785)	43.094
Cash and cash equivalents at the beginning of period		**1.617.380**	**1.155.942**
Cash and cash equivalents at the end of period		**1.181.595**	**1.199.036**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

As of March 31, 2018, the direct and indirect total of Migros's capital shares of BC Partners ("Moonlight Capital S.A. and Kenan Investments S.A.") equal to 23.2% and the indirect shares of AG Anadolu Grubu Holding A.Ş. ("Anadolu Group") is 50%. The Group is jointly managed by Anadolu Group and BC Partners.

Through its Migros, 5M, Migros Jet, Macrocenter and Kipa banner stores in Turkey, shopping centers, Ramstores banner stores abroad and internet, the Company is mainly engaged in the retail sales of food and beverages, consumer and durable goods. The Company also rents floor space in the shopping malls to other trading companies. As of 31 March 2018, the Group operates in 1.933 stores in total (31 December 2017: 1.897) which comprise 1.419.761 m2 from 1.916 retail stores (of which 162 stores acquired by Kipa acquisition) and comprise 10.011 m2 from 17 wholesale stores with a total net space of 1.429.772 m2 (31 December 2017: 1.416.355 m2). As of 31 March 2018, the Group employed 26.992 people (31 December 2017: 26.779) on average. Retail is the main business segment of the Group and constitutes almost 97% of gross sales (31 December 2017: 97%).

As indicated in the material event statement dated 16 March 2018, the Group and Makro Market A.Ş. has signed the contract with the aim of taking over the rent or lease contracts by the transfer and the purchase of furnitures and fixtures of 56 Uyum stores, (of which 53 stores are operating in İstanbul and 3 stores are operating inTekirdağ), and 17 Makro stores in Antalya for a total consideration of TRL 105 million.

The address of the registered office is as follows:

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

These condensed consolidated financial statements have been approved for issue by the Board of Directors ("BOD") on 7 May 2018 and signed by Ö. Özgür Tort, General Manager, and Erkin Yılmaz, Assistant General Manager, on behalf of the BOD. The owners of the Company and regulatories have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries

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

Subsidiaries	Country of incorporation	Geographical segment	Nature of business	March 2018 (%)	December 2017 (%)
Ramstore Bulgaria E.A.D. ("Ramstore Bulgaria")	Bulgaria	Bulgaria	Dormant	100,0	100,0
Ramstore Kazakhstan LLC ("Ramstore Kazakhstan")	Kazakhstan	Kazakhstan	Retailing	100,0	100,0
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Bulgaria	Retailing	99,0	99,0
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez") (*)	Turkey	Turkey	Dormant	100,0	100,0
Kipa Ticaret A.Ş ("Kipa")	Turkey	Turkey	Retailing	96,25	96,25

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

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Basis of preperation and presentation of financial statements

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

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

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

2.1 Basis of presentation (Continued)

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

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

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

Furthermore in accordance with the Communiqué and announcements regarding the explanations of the Communiqué, guarantee pledge, mortgage table, foreign currency position table, total export and total import amounts and hedging amount of total foreign currency liabilities are presented in the condensed consolidated financial statements disclosures (Note 9, 21).

2.1.2 Changes in the accounting policies, estimates and errors

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

The condensed consolidated interim financial statements for the period ended March 31, 2018 have been prepared in accordance with the accounting policies consistent with the accounting policies used in the preparation of annual consolidated financial statements for the year ended December 31, 2017. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

2.1.3 Functional and reporting currency

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

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

2.1 Basis of presentation (Continued)

Group companies

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

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

2.2 New and Revised Turkish Accounting Standards

a) The new standards, amendments to published standards and interpretations effective applicable as of 31 March 2018:

- IFRS 9, "Financial instruments"; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- IFRS 15, "Revenue from contracts with customers"; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to IFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

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

2.2 New and Revised Turkish Accounting Standards (Continued)

- Amendments to IFRS 4, "Insurance contracts" regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

    - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
    - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

- Amendment to IAS 40, "Investment property" relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Amendments to IFRS 2, "Share based payments" on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

    - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
    - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

2.2 New and Revised Turkish Accounting Standards (Continued)

b) ***Standards, amendments and interpretations that are issued but not effective as at 31 March 2018:***

- Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

- IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

2.2 New and Revised Turkish Accounting Standards (Continued)

- IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- Annual improvements 2015-2017**;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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NOTE 3 - SEGMENT REPORTING

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

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

The segment information provided to the board of directors as of 31 March 2018 and 2017 is as follows:

Segment analysis for the period 1 January - 31 March 2018

	Turkey	Other countries	Combined total	Intersegment eleminations	Total
External revenues	3.831.184	108.952	3.940.136	-	3.940.136
Inter segment revenues	1.006	-	1.006	(1.006)	-
Sales revenue	3.832.190	108.952	3.941.142	(1.006)	3.940.136
Cost of sales	(2.782.319)	(81.739)	(2.864.058)	1.006	(2.863.052)
Gross profit	1.049.871	27.213	1.077.084	-	1.077.084
Selling and marketing expenses	(813.278)	(18.123)	(831.401)	-	(831.401)
General administrative expenses	(122.996)	(8.146)	(131.142)	-	(131.142)
Addition: Depreciation and amortisation expenses	66.383	3.202	69.585	-	69.585
Addition: Provision for employement termination benefits	9.436	370	9.806	-	9.806
Addition: Termination benefits paid	8.924	-	8.924	-	8.924
Addition: Unused vacation provision	8.173	-	8.173	-	8.173
EBITDA	**206.513**	**4.516**	**211.029**	**-**	**211.029**
Addition: Rent expenses	205.545	6.739	212.284	-	212.284
EBITDAR	**412.058**	**11.255**	**423.313**	**-**	**423.313**

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NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 January - 31 March 2017

	Turkey	Other countries	Combined total	Intersegment eleminations	Total
External revenues	3.014.677	98.958	3.113.635	-	3.113.635
Inter segment revenues	1.689	-	1.689	(1.689)	-
Sales revenue	3.016.366	98.958	3.115.324	(1.689)	3.113.635
Cost of sales	(2.223.145)	(74.850)	(2.297.995)	1.689	(2.296.306)
Gross profit	793.221	24.108	817.329	-	817.329
Selling and marketing expenses	(616.637)	(17.253)	(633.890)	-	(633.890)
General administrative expenses	(98.036)	(10.156)	(108.192)	-	(108.192)
Addition: Depreciation and amortisation expenses	53.496	5.177	58.673	-	58.673
Addition: Provision for employement termination benefits	7.890	-	7.890	-	7.890
Addition: Termination benefits paid	5.175	-	5.175	-	5.175
Addition: Unused vacation provision	8.811	-	8.811	-	8.811
EBITDA	**153.920**	**1.876**	**155.796**	**-**	**155.796**
Addition: Rent expenses	155.194	6.276	161.470	-	161.470
EBITDAR	**309.114**	**8.152**	**317.266**	**-**	**317.266**

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

	1 January - 31 March 2018	1 January - 31 March 2017
EBITDAR reported segments	423.313	317.266
Rent expenses	(212.284)	(161.470)
EBITDA reported segments	**211.029**	**155.796**
Depreciation and amortisation	(69.585)	(58.673)
Provision for employement termination benefits	(9.806)	(7.890)
Termination benefits paid	(8.924)	(5.175)
Unused vacation liability	(8.173)	(8.811)
Other operating income	36.706	23.191
Other operating expense (-)	(96.368)	(67.273)
Operating profit	**54.879**	**31.165**
Income from investing activities	1.933	1.069.574
Expense from investing activities (-)	(5.252)	(1.577)
Operating profit beftore finance income	**51.560**	**1.099.162**
Financial income	20.023	16.696
Financial expense (-)	(303.043)	(201.964)
Income/(loss) before tax	**(231.460)**	**913.894**

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NOTE 4 - INVESTMENT PROPERTY

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

Investment properties of the Group consist of leased space to other retailers in Ramstore Samal Shopping Mall and Tastak Shopping Mall in Kazakhstan, Skopje Shopping Mall in Macedonia and Ankamall Shopping Mall and Muğla Marmaris Shopping Mall in Turkey.

There is no mortgage or pledge on the investment properties of the Group as of 31 March 2018.

	1 January 2017	Additions	Disposals	Transfers	Cumulative translation differences	31 March 2017
Cost						
Land and buildings	208.120	-	-	-	2.860	210.980
Accumulated depreciation						
Buildings	(63.401)	(1.165)	-	-	(902)	(65.468)
Net book value	**144.719**					**145.512**

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

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

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

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

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement of property, plant and equipments period ended at 31 March 2017 is as follows;

	1 January 2017	Additions for acquisition of subsidiary	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	31 March 2017
Cost								
Land and buildings	389.847	1.730.068	75	-	-	-	3.391	2.123.381
Leasehold improvements	573.618	164.133	5.173	-	(5.354)	6.696	1.358	745.624
Machinery and equipments	715.722	182.953	9.715	(1.922)	-	9.443	2.618	918.529
Motor vehicles	2.600	7.896	-	-	-	-	68	10.564
Furniture and fixtures	360.645	301.754	5.858	(618)	-	4.034	2.032	673.705
Construction in progress	27.418	2.101	28.768	-	-	(22.054)	663	36.896
	2.069.850	**2.388.905**	**49.589**	**(2.540)**	**(5.354)**	**(1.881)**	**10.130**	**4.508.699**
Accumulated depreciation								
Buildings	(97.971)	(143.570)	(3.053)	-	-	-	(1.880)	(246.474)
Leasehold improvementsc	(254.984)	(58.042)	(14.417)	-	4.087	-	(718)	(324.074)
Machinery and equipments	(292.767)	(161.349)	(20.477)	1.649	-	28	(1.964)	(474.880)
Motor vehicles	(954)	(6.053)	(165)	-	-	-	(21)	(7.193)
Furniture and fixture	(154.841)	(220.410)	(9.730)	542	-	21	(1.078)	(385.496)
	(801.517)	**(589.424)**	**(47.842)**	**2.191**	**4.087**	**49**	**(5.661)**	**(1.438.117)**
Net book value	**1.268.333**							**3.070.582**

(*) Impairment loss amounting to TRL 1.267 consists of leasehold improvements of the stores closed in 2017 (Note:14).

There are no mortgages on property, plant and equipment as of March 31, 2018 and 2017. Depreciation expenses of the property, plant and equipment have been accounted under general administrative expenses.

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NOTE 6 - INTANGIBLE ASSETS

Movement of intangible assets period ended at 31 March 2018 and 2017 is as follows;

	1 January 2018	Additions	Transfers	Cumulative translation differences	31 March 2018
Cost					
Trademark (*)	17.229	-	-	-	17.229
Rent agreements	39.131	-	-	-	39.131
Rights	303.116	9.257	-	759	313.132
Other intangible assets	93.239	1.590	-	-	94.829
	452.715	**10.847**	**-**	**759**	**464.321**
Accumulated amortisation					
Rent agreements	(31.743)	(106)	-	-	(31.849)
Rights	(187.242)	(1.000)	-	(692)	(188.934)
Other intangible assets	(73.043)	(10.887)	-	-	(83.930)
	(292.028)	**(11.993)**	**-**	**(692)**	**(304.713)**
Net book value	**160.687**				**159.608**

	1 January 2017	Additions for acquisition of subsidiary	Additions	Transfers	Cumulative translation differences	31 March 2017
Cost						
Trademark	2.787	14.442	-	-	-	17.229
Rent agreements	32.982	6.149	-	-	-	39.131
Rights	155.890	92.698	11.347	1.881	678	262.494
Other intangible assets	91.649	-	1.290	-	-	92.939
	283.308	**113.289**	**12.637**	**1.881**	**678**	**411.793**
Accumulated amortisation						
Rent agreements	(31.106)	-	(159)	-	-	(31.265)
Rights	(83.007)	(72.741)	(3.415)	(49)	(386)	(159.598)
Other intangible assets	(62.157)	-	(6.092)	-	-	(68.249)
	(176.270)	**(72.741)**	**(9.666)**	**(49)**	**(386)**	**(259.112)**
Net book value	**107.038**					**152.681**

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NOTE 6 - INTANGIBLE ASSETS (Continued)

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

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

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

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

NOTE 7 - INVENTORIES

	31 March 2018	31 December 2017
Raw materials	11.558	12.517
Work in progress	17.671	10.314
Merchandise stocks	1.855.821	1.918.916
Other	2.577	2.952
Less: Provision for net realiazable value	(43.866)	(36.453)
	1.843.761	**1.908.246**

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NOTE 8 - FINANCIAL LIABILITIES

	31 March 2018		
	Effective interest rate (%)	**In original currency**	**Total TRL equivalent**
Short term borrowings			
With fixed interest rate - TRL	15,88	569.271	569.271
With fixed interest rate - EUR	4,50	21.027	102.346
Total short term borrowings			**671.617**
Current portion of long term borrowings			
With floating interest rate - EUR	5,25	23.595	114.845
With fixed interest rate - TRL	13,96	23.563	23.563
With fixed interest rate - Tenge	11,97	47.862	594
Total current portion of long term borrowings			**139.002**
Total current bank borrowings			**810.619**
Non-current bank borrowings			
With floating interest rate - EUR	5,25	587.389	2.859.001
With fixed interest rate - TRL	13,96	218.819	218.819
With fixed interest rate - Tenge	11,97	3.783.265	46.934
Total non-current bank borrowings			**3.124.754**
Total financial liabilities			**3.935.373**

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

	Tenge loan TRL equivalent	**Euro loan TRL equivalent**	**TRL Loan**	**Total (TRL equivalent)**
1 April 2018 - 31 March 2019	594	217.191	592.834	810.619
1 April 2019 - 31 March 2020	4.561	561.772	56.418	622.751
1 April 2020 - 31 March 2021	13.701	604.702	51.902	670.305
1 April 2021 - 31 March 2022	15.453	637.022	46.844	699.319
1 April 2022 - 31 March 2023	13.219	677.220	42.589	733.028
1 April 2023 - 26 May 2023	-	378.285	21.066	399.351
	47.528	**3.076.192**	**811.653**	**3.935.373**

The fair value of bank borrowings at 31 March 2018 is TRL 4.024.640.

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

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

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL Loan	Total (TRL equivalent)
1 April 2018 - 31 March 2019	-	102.213	566.314	668.527
1 April 2019 - 31 March 2020	4.561	459.806	37.100	501.467
1 April 2020 - 31 March 2021	13.701	564.304	45.532	623.537
1 April 2021 - 31 March 2022	15.453	668.837	53.967	738.257
1 April 2022 - 31 March 2023	13.219	794.226	64.084	871.529
1 April 2023 - 26 May 2023	-	480.701	38.786	519.487
	46.934	**3.070.087**	**805.783**	**3.922.804**

The Group has obligation to meet various financial covenants according to loan agreement related to bank borrowings. As of 31 March 2018 the Group has met defined financial covenants requirements.

The movement schedule of borrowings as of 31 March 2018 is as follows;

Opening	**3.912.474**
Proceeds of borrowings	101.268
Payments	(309.800)
Foreign exchange losses	223.856
Interest accrual	7.575
Closing	**3.935.373**

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

	31 December 2017		
	Effective interest rate (%)	**In original currency**	**Total TRL equivalent**
Short term borrowings			
With fixed interest rate - TRL	15,88	569.319	569.319
Total short term borrowings			**569.319**
Current portion of long term borrowings			
With floating interest rate - EUR	5,25	91.719	414.156
With fixed interest rate - TRL	13,93	53.746	53.746
With fixed interest rate - Tenge	11,97	71.861	816
Total current portion of long term bank borrowings			**468.718**
Total short term bank borrowings			**1.038.037**
Non-current bank borrowings			
With floating interest rate - EUR	5,25	580.106	2.619.469
With fixed interest rate - TRL	13,93	212.028	212.028
With fixed interest rate - Tenge	11,97	3.783.265	42.940
Total non-current bank borrowings			**2.874.437**
Total financial liabilities			**3.912.474**

The redemption schedule of bank borrowings with effective interest rate at 31 December 2017 is as follows:

	Tenge loan TRL equivalent	**Euro loan TRL equivalent**	**TRL Loan**	**Total (TRL equivalent)**
1 January 2018- 31 December 2018	816	414.156	623.065	1.038.037
1 January 2019- 31 December 2019	1.271	514.665	54.649	570.585
1 January 2020- 31 December 2020	12.164	554.019	50.284	616.467
1 January 2021- 31 December 2021	13.719	583.655	45.394	642.768
1 January 2022- 31 December 2022	13.580	620.512	41.279	675.371
1 January 2023 - 26 May 2023	2.206	346.618	20.422	369.246
	43.756	**3.033.625**	**835.093**	**3.912.474**

The fair value of bank borrowings at 31 December 2017 is TRL 3.944.286.

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of principal amounts of bank borrowings at 31 December 2017 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL Loan	Total (TRL equivalent)
1 January 2018- 31 December 2018	-	279.227	590.082	869.309
1 January 2019- 31 December 2019	1.271	426.572	37.100	464.943
1 January 2020- 31 December 2020	12.164	523.517	45.532	581.213
1 January 2021- 31 December 2021	13.719	620.494	53.967	688.180
1 January 2022- 31 December 2022	13.580	736.821	64.084	814.485
1 January 2023 - 26 May 2023	2.206	445.956	38.787	486.949
	42.940	**3.032.587**	**829.552**	**3.905.079**

NOTE 9 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions	**31 March 2018**	**31 December 2017**
Provision for litigation	67.068	61.594
Provision for customer loyalty programmes	7.204	538
Other	-	1.012
	74.272	**63.144**

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

Movement of provision for lawsuits is as follows:

	2018	**2017**
Beginning balance	**61.594**	**27.105**
Increase during period	8.781	1.025
Increase related acquisition of subsidiary	**-**	44.940
Payments during period	(3.307)	(610)
Ending balance	**67.068**	**72.460**

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

Collaterals, Pledges, Mortgages

31 March 2018:

	Total TRL amount	TRL	USD	Euro
A. CPM given on behalf of the Company's legal personality	143.526	133.336	2.546	28
B. CPM given on behalf of fully consolidated subsidiaries	281.600	220.000	15.599	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM	-	-	-	-
i. Total amount of CPM given behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given behalf of third parties which are not in scope of C	-	-	-	-
Total collaterals, pledges and mortgages	**425.126**	**353.336**	**18.145**	**28**
Proportion of the other CPM's to equity	**0,0**			

31 December 2017:

	Total TRL amount	TRL	USD	Euro
A. CPM given on behalf of the Company's legal personality	155.796	146.193	2.546	-
B. CPM given on behalf of fully consolidated subsidiaries	212.939	170.000	11.384	-
C.CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D.Total amount of other CPM	-	-	-	-
i. Total amount of CPM given behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given behalf of third parties which are not in scope of C	-	-	-	-
Total collaterals, pledges and mortgages	**368.735**	**316.193**	**13.930**	**-**
Proportion of the other CPM's to equity (%)	**0,0**			

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

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

Contingent assets and liabilities

Guarantees given at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
Letter of guarantees given	425.126	368.735
	425.126	**368.735**

Guarantees received at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
Guarantees obtained from customers	185.719	146.693
Morgages obtained from customers	18.290	17.866
	204.009	**164.559**

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

	31 March 2018	31 December 2017
Payable within 1 year	57.479	77.746
Payable in 1 to 5 years	10.240	29.337
	67.719	**107.083**

NOTE 10 - PROVISION FOR EMPLOYEE BENEFITS

	31 March 2018	31 December 2017
Provision for employee termination benefits	127.559	117.753
Provision for unused vacation	119.028	110.855
	246.587	**228.608**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)
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NOTE 10 - PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movement of unused vacation provision is as follows:

	2018	**2017**
Beginning balance	**110.855**	**93.105**
Increase during year	10.987	10.654
Payments during period	(2.814)	(1.843)
Increase related acquisition of subsidiary	-	2.857
Ending balance	**119.028**	**104.773**

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

	2018	**2017**
Beginning balance	**117.753**	**79.057**
Increase during period	18.730	13.065
Payments during period	(8.924)	(5.175)
Increase related acquisition of subsidiary	-	19.247
Ending balance	**127.559**	**106.194**

Provision for employee termination benefits

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

In the condensed consolidated financial statements as of 31 March 2018 and consolidated financial statements as of 31 December 2017, the Group reflected a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TRL 5.001,76 effective from 1 January 2018 has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
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NOTE 11 - REVENUE

	1 January - 31 March 2018	1 January - 31 March 2017
Domestic sales	3.932.051	3.076.271
Foreign sales	108.543	98.658
Other sales	3.231	5.391
Gross sales	**4.043.825**	**3.180.320**
Discounts and returns (-)	(103.689)	(66.685)
Sales revenue, net	**3.940.136**	**3.113.635**
Cost of sales	(2.863.052)	(2.296.306)
Gross profit	**1.077.084**	**817.329**

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

	1 January - 31 March 2018	1 January - 31 March 2017
Retail sales revenue	3.885.620	3.066.327
Wholesale revenue	102.593	79.591
Rent income	52.381	29.011
	4.040.594	**3.174.929**

NOTE 12 - EXPENSE BY NATURE

Total	1 January - 31 March 2018	1 January- 31 March 2017
Staff costs	421.309	319.857
Rent	212.284	161.470
Depreciation and amortisation	69.585	58.673
Energy	48.048	36.714
Transportation	36.996	31.687
Porterage and cleaning	28.421	21.575
Advertising	27.145	21.761
Warehouse	25.034	19.726
Mechanisation	13.617	11.139
Repair and maintanence	14.122	10.926
Security	12.145	8.383
Taxes and other fees	5.821	3.800
Communication	3.771	3.144
Other	44.245	33.227
	962.543	**742.082**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)
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NOTE 12 - EXPENSE BY NATURE (Continued)

Marketing expenses	**1 January - 31 March 2018**	**1 January - 31 March 2017**
Staff costs	373.404	282.601
Rent	212.120	161.293
Energy	47.653	36.304
Transportation	36.996	31.687
Porterage and cleaning	27.528	20.901
Advertising	27.137	21.699
Warehouse	25.034	19.726
Repair and maintanence	13.808	10.774
Security	11.642	7.964
Mechanisation	10.987	7.804
Taxes and other fees	5.381	3.563
Communication	3.318	2.743
Other	36.393	26.831
	831.401	**633.890**

General administrative expenses	**1 January - 31 March 2018**	**1 January - 31 March 2017**
Depreciation and amortisation	69.585	58.673
Staff costs	47.905	37.256
Other	13.652	12.263
	131.142	**108.192**

Expenses by nature in cost of sales for the periods 1 January - 31 March 2018 and 2017 are as follows:

	1 January - 31 March 2018	**1 January - 31 March 2017**
Cost of goods sold	2.850.626	2.287.937
Cost of service rendered	12.426	8.369
	2.863.052	**2.296.306**

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

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NOTE 13 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	**1 January - 31 March 2018**	**1 January - 31 March 2017**
Interest income on term sales	21.012	13.178
Interest income from operating activities	11.483	7.786
Gain on sale of scrap goods	243	421
Other	3.968	1.806
	36.706	**23.191**

Other operating expenses	**1 January - 31 March 2018**	**1 January - 31 March 2017**
Interest expense on term purchases	79.850	56.372
Litigation provision	8.781	1.025
Bad debt provision expense	1.511	1.456
Other	6.226	8.420
	96.368	**67.273**

NOTE 14 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities	**1 January - 31 March 2018**	**1 January - 31 March 2017**
Gain on sale of property, plant and equipment	1.933	55
Subsidiary acquisition profit	-	1.069.519
	1.933	**1.069.574**

Expense from investing activities	**1 January - 31 March 2018**	**1 January - 31 March 2017**
Loss on sale of property, plant and equipment	4.262	310
Losses from leasehold improvements of closed stores (Note 5)	990	1.267
	5.252	**1.577**

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NOTE 15 - FINANCIAL INCOME

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange gains	18.909	15.196
Interest income on bank deposits	1.114	1.500
	20.023	**16.696**

NOTE 16 - FINANCIAL EXPENSES

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange losses	222.815	140.786
Interest expense on bank borrowings	69.625	54.610
Financial expense on derivativies	10	320
Other	10.593	6.248
	303.043	**201.964**

NOTE 17 - TAX ASSETS AND LIABILITIES

	31 March 2018	31 December 2017
Taxes and fund payable	16.006	84.235
Less: Prepaid current income taxes	(1.801)	(58.385)
Taxes on income	**14.205**	**25.850**

	31 March 2018	31 December 2017
Deferred tax assets	78.865	73.819
Deferred tax liabilities	(328.881)	(329.782)
Deferred tax liabilities, net	**(250.016)**	**(255.963)**

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

General Information

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

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

The Group calculates deferred income tax assets and liabilities based on the temporary difference between the financial statements prepared in accordance with TFRS and the financial statements prepared in accordance with TFRS. Future periods to deferred tax assets and liabilities are calculated based on the liability method on temporary differences for the rates used as of March 31, 2018 for Turkey, Kazakhstan, Bulgaria and Macedonia 22% - 20%, 20%, 10% and 10% (2017: 20% , 20%, 10% and 10%).

The details of taxation on income for the periods ended 31 March 2018 and 2017 are as follows:

	1 January - 31 March 2018	**1 January - 31 March 2017**
Current period tax expense	(15.300)	(753)
Deferred tax income	6.117	(7.108)
	(9.183)	**(7.861)**

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

Deferred income tax

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided as of 31 March 2018 and 31 December 2017 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	31 March 2018	**31 December 2017**	**31 March 2018**	**31 December 2017**
Deferred tax assets:				
Short term provisions	185.517	166.847	38.357	35.980
Inventories	67.391	63.125	14.826	13.879
Provision for employee termination benefits	127.559	117.753	25.475	23.516
Unincurred interest income	941	2.030	207	444
			78.865	**73.819**
Deferred tax liabilities:				
Fair value change of derivative financial instruments	-	10	-	(2)
Property, plant and equiment, intangible assets and investment properties	2.206.728	2.246.786	(306.120)	(308.477)
Business combinations effect	12.862	12.862	(2.572)	(2.572)
Unincurred interest expense	56.205	43.975	(10.839)	(9.675)
Other	48.010	45.824	(9.350)	(9.056)
			(328.881)	**(329.782)**
Total deferred tax liability, net			**(250.016)**	**(255.963)**

	2018	**2017**
Beginning balance	**(255.963)**	**(53.064)**
Deferred tax expense from continuing operations	6.117	(7.108)
Cumulative translation difference	(170)	(120)
Subsidiary acquired from acquisition	-	(51.025)
Ending balance	**(250.016)**	**(111.317)**

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NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The shareholders of the Company and their shareholdings stated at historical amounts at 31 March 2018 and 31 December 2017 are stated below:

	31 March 2018		31 December 2017	
	TRL	Share (%)	TRL	Share (%)
MH Perakendecilik ve Ticaret A.Ş.	89.015	50,00	89.015	50,00
Moonlight Capital S.A.	14.371	8,07	14.371	8,07
Kenan Investments S.A.	26.937	15,13	26.937	15,13
Other	47.707	26,80	47.707	26,80
Total	**178.030**	**100,00**	**178.030**	**100,00**

Reserves

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Due from related parties	**31 March 2018**	**31 December 2017**
Anadolu Restoran İşletmeleri Ltd. Şti.	48	-
Efes Pilsen Spor Kulübü	32	-
Çelik Motor Ticaret A.Ş.	26	196
Anadolu Isuzu Otomotiv Sanayi ve Tic. A.Ş.	3	332
Anadolu Motor Üretim ve Pazarlama A.Ş.	-	82
Other	19	103
	128	**713**

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

Due to related parties	**31 March 2018**	**31 December 2017**
Coca Cola Satış ve Dağıtım A.Ş.	70.739	60.497
Anadolu Efes Pazarlama ve Dağıtım Ticaret A.Ş.	61.181	92.000
Adel Kalemcilik Ticaret ve San. A.Ş.	17.068	13.216
AEH Sigorta Acenteliği A.Ş.	5.732	10.551
AEH Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	5.554	6.111
Other	436	115
	160.710	**182.490**

b) Transactions with related parties

Inventory purchases	**31 March 2018**	**31 March 2017**
Coca Cola Satış ve Dağıtım A.Ş.	52.344	37.640
Anadolu Efes Paz. ve Dağıtım Ticaret A.Ş.	51.821	51.931
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	13.130	9.762
Adel Kalemcilik Ticaret ve San. A.Ş.	4.634	2.625
	121.929	**101.958**

Other transactions	**31 March 2018**	**31 March 2017**
Rent income	319	195
Rent expense	(2.264)	(1.005)
Other income	75	68
Other expense	(7)	(15)
Other transactions, net	**(1.877)**	**(757)**

c) Key management compensation

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

Total compensation provided to key management personnel by Group for the period ended 31 March 2018 and 2017 is as follows:

	31 March 2018	**31 March 2017**
Short term benefits	7.523	6.150
	7.523	**6.150**

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

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NOTE 20 - EARNINGS/(LOSSES) PER SHARE

	31 March 2018	**31 March 2017**
Net (loss)/income attributable to shareholders	(238.424)	907.015
Weighted average number of shares with Kr1 face value each('000)	17.803.000	17.803.000
Earnings/(losses) per share	**(1,34)**	**5,09**

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

NOTE 21 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION

The Group is exposed to foreign exchange risk primarily arising from the borrowings denominated in foreign currencies. Aforementioned foreign exchange risk is monitored and limited with derivative instruments. At 31 March 2018, if Euro had appreciated against TRL by 10% and all other variables had remained constant, the profit for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in Euro would have been less in the amount of TRL 292.705.

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

FOREIGN CURRENCY POSITION

	31 March 2018				31 December 2017			
	Total TRL equivalent	**USD**	**Euro**	**Other TRL equivalent**	**Total TRL equivalent**	**USD**	**Euro**	**Other TRL equivalent**
Cash and cash equivalents	161.820	2.064	31.542	142	383.343	2.673	82.518	652
Trade receivables	162	41	-	-	273	72	-	-
Other	1.740	441	-	-	1.813	481	-	-
Current assets	**163.722**	**2.546**	**31.542**	**142**	**385.429**	**3.226**	**82.518**	**652**
Total Assets	**163.722**	**2.546**	**31.542**	**142**	**385.429**	**3.226**	**82.518**	**652**
Trade payables	1.307	95	118	355	1.307	100	127	355
Financial liabilities	217.191	-	44.622	-	414.156	-	91.719	-
Current liabilities	**218.498**	**95**	**44.740**	**355**	**415.463**	**100**	**91.846**	**355**
Financial liabilities	2.859.001	-	587.389	-	2.619.469	-	580.106	-
Non-monetary other liabilities	4.110	76	783	-	3.536	80	716	-
Non-current liabilities	**2.863.111**	**76**	**588.172**	**-**	**2.623.005**	**80**	**580.822**	**-**
Total liabilities	**3.081.609**	**171**	**632.912**	**355**	**3.038.468**	**180**	**672.668**	**355**

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

FOREIGN CURRENCY POSITION

	31 March 2018				31 December 2017			
	Total TRL equivalent	**USD**	**Euro**	**Other TRL equivalent**	**Total TRL equivalent**	**USD**	**Euro**	**Other TRL equivalent**
Net asset/(liability) position of off-balance sheet derivatives (A-B)	-	-	-	-	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	**(2.917.887)**	**2.375**	**(601.370)**	**(213)**	**(2.653.039)**	**3.046**	**(590.150)**	**297**
Net foreign currency asset/(liability) position of monetary items	**(2.915.517)**	**2.010**	**(600.587)**	**(213)**	**(2.651.317)**	**2.646**	**(589.435)**	**297**
Fair value hedge funds of foreign currency	-	-	-	-	-	-	-	-
Hedge amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedge amount of foreign currency liabilities	-	-	-	-	-	-	-	-
Export	-	-	-	-	-	-	-	-
Import	27.212	6.891	-	-	45.108	11.959	-	-

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

Foreign currency sensitivity analysis as of 31 March 2018 and 31 December 2017 is as follows:

31 March 2018

	Gain/(Loss)	
	Foreign exchange appreciation	**Foreign exchange depreciation**
%10 change in Euro exchange rate		
Euro net asset/liability	(292.705)	292.705
Portion secured from Euro risk	-	-
Euro net effect	**(292.705)**	**292.705**

31 December 2017

	Gain/(Loss)	
	Foreign exchange appreciation	**Foreign exchange depreciation**
%10 change in Euro exchange rate		
Euro net asset/liability	(266.483)	266.483
Portion secured from Euro risk	-	-
Euro net effect	**(266.483)**	**266.483**

NOTE 22 - FINANCIAL INSTRUMENTS

Fair value estimation

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

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

NOTE 23 - SUBSEQUENT EVENTS

As indicated in the material event statement dated 16 March 2018, the Group and Makro Market A.Ş. has signed the contract with the aim of taking over the rent or lease contracts by the transfer and the purchase of furnitures and fixtures of 56 Uyum stores, (of which 53 stores are operating in İstanbul and 3 stores are operating inTekirdağ), and 17 Makro stores in Antalya for a total consideration of TRL 105 million.

The Competition Board has decided to unconditionally allow the transfer operation of the respective stores on April 18, 2018 18-with the decision no 11 / 204-95

At the Migros Board of Directors meeting dated April 18, 2018, it was resolved that;

1. Kipa Ticaret A.Ş. ("Kipa") will be merged with our company ("Migros") under Migros based on the consolidated financial statements of Migros dated 31.12.2017 and financial statements of Kipa dated 31.12.2017, through takeover of Kipa's assets and liabilities as a whole, pursuant to the Capital Markets Board ("CMB") Communiqué on Merger and Demerger numbered II-23.2 and the other relevant legislation as well as Articles 136-158 and 191-194 of the Turkish Commercial Code numbered 6102 ("TCC") and Articles 19 and 20 of the Corporate Tax Law numbered 5520 which regulate transfer of corporations,

2. Merger will be carried out by way of "simplified merger process" as set out under Article 155 and 156 of the TCC and Article 13 of the CMB Communiqué on Merger and Demerger numbered II-23.2 since Migros holds Kipa's 96.25% of shares having voting rights,

3. Expert Institution Report will be prepared in order to determine a fair and reasonable exchange rate to determine Migros shares to be given to the other shareholders of Kipa and to determine cash equivalent of Migros shares to be offered to Kipa shareholders as an option, and Ernst Young Kurumsal Finansman Danışmanlık A.Ş. shall be appointed as expert institution,

4. A merger agreement will be prepared and will be signed by at least two board members of our company on behalf of the Board of Directors

5. The company's management will be granted with the authority to follow and conduct the merger actions, obtain necessary permits from the relevant authorities and finalise the merger process.

In the Company's material event statement dated 20 April 2018, the Expert Report of Ernst & Young Kurumsal Finansman Danışmanlık A.Ş., which was prepared as per Article 7 of Merger and Demerger Communiqué No. II-23.2 of the Capital Markets Board, entitled "Expert Opinion", and which concerned the facilitated merger of Migros and Kipa under Migros, was submitted.

As indicated in the material event statement dated 25 April 2018, application was made to the Capital Markets Board on 25 April 2018 for approval of the merger of Migros and Kipa under Migros. The "Announcement Letter" prepared concerning the application regarding the said transaction and the Balance Sheet and Income Statements of the companies, the Merger Agreement, the Merger Report, the Expert Opinion and the Amendment Draft of the Articles of Association of Migros which are attached to the Announcement Letter, were shared with the public.

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