MİGROS TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 31 MARCH 2017**

(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

CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2017 AND 31 DECEMBER 2016

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

	Notes	31 March 2017	*Restated(*)* 31 December 2016	*Restated(*)* 31 December 2015
ASSETS				
Current Assets:				
Cash and cash equivalents		1.199.036	1.155.942	839.424
Financial investments		259	714	4.085
Trade receivables				
Trade receivables from related parties	21	99	600	496
Trade receivables from third parties		71.207	57.838	49.349
Other receivables from third parties		11.993	8.258	5.924
Derivative instruments	4	290	602	-
Inventories	8	1.534.893	1.212.074	1.052.680
Prepaid expenses		63.577	34.792	31.465
Other current assets		5.626	527	407
Total current assets		**2.886.980**	**2.471.347**	**1.983.830**
Non-current assets:				
Financial investments		1.165	1.165	1.165
Other receivables from third parties		2.371	2.280	2.035
Derivative instruments	4	10	18	422
Investment properties	5	145.512	144.719	146.405
Property, plant and equipment	6	3.070.582	1.268.333	1.220.623
Intangible assets				
Goodwill	9	2.252.992	2.252.992	2.251.427
Other intangible assets	7	152.681	107.038	84.689
Prepaid expenses		48.490	28.834	18.428
Total non-current assets		**5.673.803**	**3.805.379**	**3.725.194**
Total assets		**8.560.783**	**6.276.726**	**5.709.024**

(*) Note 2.2

CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2017 AND 31 DECEMBER 2016

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

	Notes	31 March 2017	*Restated(*)* 31 December 2016	*Restated(*)* 31 December 2015
LIABILITIES				
Current liabilities:				
Short term portion of long term borrowings	10	253.081	238.513	212.910
Short term borrowings	10	606.509	102.012	-
Trade payables				
Trade payables to related parties	21	142.771	175.170	146.099
Trade payables to third parties		2.889.497	2.488.489	2.081.705
Employee benefits payables		103.097	76.261	47.193
Other payables to third parties		54.098	65.017	41.442
Deferred income		141.424	32.416	24.397
Taxes on income	19	666	19.952	9.595
Short term provisions				
Short term provisions for employee benefits	12	104.773	93.105	75.970
Other short term provisions	11	77.818	27.672	83.283
Other current liabilities		2.676	2.153	3.077
Total current liabilities		**4.376.410**	**3.320.760**	**2.725.671**
Non-current liabilities:				
Long term borrowings	10	2.790.999	2.623.011	2.380.236
Other payables to third parties		5.902	3.629	3.181
Deferred income		3.982	4.592	850
Long term provisions				
Long term provisions for employee benefits	12	106.194	79.057	64.283
Deferred tax liabilities	19	111.317	53.064	60.171
Total non-current liabilities		**3.018.394**	**2.763.353**	**2.508.721**
Total liabilities		**7.394.804**	**6.084.113**	**5.234.392**
EQUITY				
Attributable to equity holders of parent	**20**	**1.106.329**	**191.793**	**473.988**
Share capital		178.030	178.030	178.030
Other capital reserves		(365)	(365)	(365)
Additional contribution to share capital		27.312	27.312	27.312
Share premium		678.233	678.233	678.233
Other comprehensive income/(expense) not to be classified to profit or loss defined benefit plans re-measurement (losses)		(9.180)	(9.180)	(8.350)
Other comprehensive income/expense to be classified to profit or loss				
Currency translation differences		31.033	23.512	4.720
Restricted reserves		439.138	439.138	504.766
Accumulated losses		(1.144.887)	(844.730)	(910.358)
Net income/(loss)		907.015	(300.157)	-
Non-controlling interest		**59.650**	**820**	**644**
Total equity		**1.165.979**	**192.613**	**474.632**
Total liabilities and equity		**8.560.783**	**6.276.726**	**5.709.024**

(*) Note 2.2

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

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2017 AND 2016

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

	Notes	1 January - 31 March 2017	*Restated(*)* 1 January - 31 March 2016
Revenue	3,13	3.113.635	2.411.097
Cost of sales (-)	3,13, 14	(2.296.306)	(1.751.558)
Gross profit		**817.329**	**659.539**
General administrative expenses (-)	14	(108.192)	(82.652)
Marketing expenses (-)	14	(633.890)	(501.343)
Other operating income	15	23.191	16.308
Other operating expense (-)	15	(67.273)	(46.533)
Operating profit		**31.165**	**45.319**
Income from investment activities	16	1.069.574	460
Expenses from investment activities (-)	16	(1.577)	(1.384)
Operating income before finance income/(expense)		**1.099.162**	**44.395**
Financial income	17	16.696	8.277
Financial expense (-)	18	(201.964)	(72.842)
Net income/(loss) before tax from continuing operations		**913.894**	**(20.170)**
Tax expense from continuing operations		**(7.861)**	**(5.573)**
- Income tax expense	19	(753)	(8.156)
- Deferred tax (expense)/income	19	(7.108)	2.583
Net income/(loss)		**906.033**	**(25.743)**
Net income/(loss) attributable to:			
- Non-controlling interest		(982)	15
- Equity holders of parent		907.015	(25.758)
Earning/(loss) per share	22	5,09	(0,14)

(*) Note 2.2

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2017 AND 2016

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

	1 January - 31 March 2017	*Restated(*)* 1 January - 31 March 2016
Net income/(loss) for the period	**906.033**	**(25.743)**
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
-Currency translation differences	7.468	(1.734)
Other comprehensive income/(loss)	**7.468**	**(1.734)**
Total comprehensive income/(loss)	**913.501**	**(27.477)**
Total comprehensive income/(loss) attributable to:		
-Non-controlling interests	(1.035)	26
-Equity holders of parent	914.536	(27.503)

(*) Note 2.2

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2017 AND 2016

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

					Other comprehensive income / expenses not to be reclassified to profit or loss	Other comprehensive income / expenses to be reclassified to profit or loss		Retained earnings				
	Share capital	**Other capital reserves**	**Additional contribution to share capital**	**Share premium**	**Defined benefit plans re-measurement (losses)**	**Cumulative translation differences**	**Restricted reserves**	**Accumulated losses**	**Net income /(loss) for the period**	**Attributable to equity holders of the parent**	**Non - controlling interests**	**Total equity**
Balances at 31 December 2015 (Previously reported)	**178.030**	**(365)**	**27.312**	**678.233**	**(8.350)**	**4.720**	**504.766**	**(869.004)**	**-**	**515.342**	**644**	**515.986**
Effect of restatement (Note 2.2)	-	-	-	-	-	-	-	(41.354)	-	(41.354)	-	(41.354)
Balances at 31 December 2015 (Restated)	**178.030**	**(365)**	**27.312**	**678.233**	**(8.350)**	**4.720**	**504.766**	**(910.358)**	**-**	**473.988**	**644**	**474.632**
Balances at 1 January 2016	**178.030**	**(365)**	**27.312**	**678.233**	**(8.350)**	**4.720**	**504.766**	**(910.358)**	**-**	**473.988**	**644**	**474.632**
Total comprehensive income	-	-	-	-	-	(1.745)	-	-	(25.758)	(27.503)	26	(27.477)
Net income for the period	-	-	-	-	-	-	-	-	(25.758)	(25.758)	15	(25.743)
Cumulative translation differences	-	-	-	-	-	(1.745)	-	-	-	(1.745)	11	(1.734)
Balances at 31 March 2016 (Restated)	**178.030**	**(365)**	**27.312**	**678.233**	**(8.350)**	**2.975**	**504.766**	**(910.358)**	**(25.758)**	**446.485**	**670**	**447.155**
Balances at 31 December 2016 (Previously reported)	**178.030**	**(365)**	**27.312**	**678.233**	**(9.180)**	**23.512**	**439.138**	**(803.376)**	**(292.969)**	**240.335**	**820**	**241.155**
Effect of restatement (Note 2.2)	-	-	-	-	-	-	-	(41.354)	(7.188)	(48.542)	-	(48.542)
Balances at 31 December 2016 (Restated)	**178.030**	**(365)**	**27.312**	**678.233**	**(9.180)**	**23.512**	**439.138**	**(844.730)**	**(300.157)**	**191.793**	**820**	**192.613**
Balances at 1 January 2017	**178.030**	**(365)**	**27.312**	**678.233**	**(9.180)**	**23.512**	**439.138**	**(844.730)**	**(300.157)**	**191.793**	**820**	**192.613**
Transfers	-	-	-	-	-	-	-	(300.157)	300.157	-	-	-
Acquisition of subsidiary (Note 9)	-	-	-	-	-	-	-	-	-	-	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**

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

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

MİGROS TİCARET A.Ş

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2017 AND 2016

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

	Notes	1 January - 31 March 2017	*Restated* 1 January - 31 March 2016
Cash flow from operating activities:			
Net income/(loss) for the period		906.033	(25.743)
Adjustments related to reconciliation of profit/(loss):			
Adjustments for depreciation and amortisation expenses	14	58.673	48.909
Adjustments for impairment on receivables	15	1.456	108
Adjustments for inventory provisions	8	29.815	1.988
Adjustments for impairment on property, plant and equipment	16	1.267	626
Adjustments for provision for employee benefits	12	23.719	24.966
Adjustments for provision for litigation	11	1.025	2.787
Adjustments for other provisions		-	2.240
Adjustments for interest income		(9.286)	(6.131)
Adjustments for interest expense		54.610	39.602
Adjustments for deferred financing due to forward purchases expenses		56.372	41.906
Adjustments for unearned finance income from sales		(13.178)	(9.925)
Adjustments for foreign exchange losses related to bank borrowings		138.117	22.164
Adjustments for fair value losses arising from derivatives	18	320	269
Adjustments for income tax expense		7.861	5.573
Loss on sale of property plant and equipment		255	298
Subsidiary acquisition profit	9	(1.069.519)	-
		187.540	**149.637**
Changes in working capital:			
Adjustments for increse in trade receivables		(3.736)	(11.314)
Adjustments for increase in inventories		(144.918)	(12.464)
Adjustments for increase in other receivables related with operations		(8.620)	(10.900)
Adjustments for increase in trade payables		46.544	(2.809)
Adjustments for increase in other payables related with operations		(14.444)	(3.885)
		62.366	**108.265**
Cash flows from operating activities:			
Employee benefits paid	12	(7.018)	(7.182)
Interest received		20.964	14.860
Interest paid		(63.215)	(43.564)
Taxes paid		(20.037)	(10.991)
Compensations paid	11	(610)	(1.031)
Net cash provided by operating activities		**(7.550)**	**60.357**

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 2017 AND 2016

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

	Notes	1 January - 31 March 2017	*Restated* 1 January - 31 March 2016
Cash flows from investing activities:			
Cash outflows from the purchase of investment properties, tangible and intangible assets	5, 6, 7	(62.226)	(65.179)
Cash inflows from the purchase of tangible and intangible assets	5, 6, 7, 16	94	848
Cash outflows due to subsidiary acquisition		(103.541)	-
Other cash inflows		49.166	-
Net cash used in investing activities		**(116.507)**	**(64.331)**
Cash flows from financing activities			
Proceeds from borrowings		171.821	-
Interest received	17	1.500	1.211
Interest paid		(7.126)	(259)
Net cash provided by financing activities		**166.195**	**952**
Impact of foreign currency translation differences on cash and cash equivalents		**956**	**(966)**
Net increase/(decrease) in cash and cash equivalents		43.094	(3.988)
Cash and cash equivalents at the begining of period		**1.155.942**	**839.424**
Cash and cash equivalents at the end of period		**1.199.036**	**835.436**

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

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

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

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

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

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

Through its Migros, 5M, M-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 2017, the Group operates in 1.794 stores in total (31 December 2016: 1.605) which comprise 1.779 retail stores (of which 168 stores acquired by Kipa acquisition) and 15 wholesale stores with a total net space of 1.411.960 m2 (31 December 2016: 1.078.761 m2) including 1.402.874 m2 for retail and 9.086 m2 for wholesale. As of 31 March 2017, the Group employed 27.515 people (31 December 2016: 21.438) on average. Retail is the main business segment of the Group and constitutes almost 97% of gross sales (31 December 2016: 97%).

The address of the registered office is as follows:

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

These condensed consolidated financial statements have been approved for issue by the Board of Directors ("BOD") on 9 May 2017 and signed by Ö. Özgür Tort, General Manager, and Erkin Yılmaz, Assistant General Manager, on behalf of the BOD. The owners of the Company and 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 ("TL") unless otherwise indicated.)
(Currencies other than TL 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 2017 (%)	December 2016 (%)
Ramstore Bulgaria E.A.D. ("Ramstore Bulgaria")	Bulgaria	Bulgaria	Dormant	100,0	100,0
Ramstore Kazakhstan LLC ("Ramstore Kazakhstan")	Kazakhstan	Kazakhstan	Retailing	100,0	100,0
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Bulgaria	Retailing	99,0	99,0
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez") (*)	Turkey	Turkey	Dormant	100,0	100,0
Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi Anonim Şirketi ("Kipa")	Turkey	Turkey	Retailing	95,5	-

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

In line with its long-term growth strategy, the Group signed a share sale and purchase agreement with Tesco Overseas Investments Limited (the "Seller") on 10 June 2016 to purchase approximately 95,5% of the shares of Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi A.Ş. ("Kipa") owned by the Seller. According to the share sale and purchase agreement and the latest financial statements of Kipa released on 29 February 2016, the purchase price of the said shares was TRY 302.287 as of the date of the agreement (10 June 2016). To obtain the necessary legal permit, the Group applied to the Competition Authority on 21 June 2016 and the application was approved on 9 February 2017. According to the estimated annual closing balance sheet of Kipa dated 28 February 2017, the purchase price of the shares was TRY 199.012 which was paid to the Seller on 1 March 2017, the share transfer date. This amount is subject to final price adjustments as per the annual closing balance sheet of Kipa which was inspected and finalised by the independent audit dated 28 February 2017. As stated in Note 31, the Group took over the management of Kipa, whose main area of activity is retail, on 1 March 2017.

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.

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 begining 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.

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

2.1 Basis of presentation (Continued)

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

2.1.2 Changes in the accounting policies, estimates and errors

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

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

2.1.3 Functional and reporting currency

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

Group companies

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

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

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

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

2.2 Comparative information and restatement of prior period financial statements

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

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

Accordingly, the Group has presented its consolidated balance sheets with the restated comparative financial information at 31 December 2016 and 2015. In this context, prior year losses as of December 31, 2015 are presented with net loss for the period.

The effects of restatement on accumulated losses and net income as of 31 March 2017 is as follows:

		31 December 2015	
	Previously reported	**Effect of restatement**	**Restated**
Inventories	1.104.373	(51.693)	1.052.680
Deferred tax liabilities	(70.510)	10.339	(60.171)
Accumulated losses	(869.004)	(41.354)	(910.358)

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

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

2.3 New and Revised Turkish Accounting Standards

a) The new standards, amendments to published standards and interpretations effective applicable as of 31 March 2017:

- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- Amendments to TAS 16 'Property, plant and equipment', and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41:

- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- TFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. TFRS 14, 'Regulatory deferral accounts' permits first - time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

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

2.3 New and Revised Turkish Accounting Standards (Continued)

- Amendments to TFRS 10, 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in TFRS 10 and those in TAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary:

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

  - TFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal
  - TFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to TFRS 1) regarding servicing contracts
  - TAS 19, 'Employee benefits' regarding discount rates
  - TAS 34, 'Interim financial reporting' regarding disclosure of information.

- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are initiative to improvepresentation and disclosure in financial reports

- Amendment to TFRS 10 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016.These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

b) The new standards, amendments and interpretations introduced to the prior Financial Statements as of 31 March 2017, however will be effective after 1 April 2017

- TAS 7 'effective from annual periods beginning on or after 1 January 2017. The improvements are part of the Board's Disclosure Initiative. The amendments require companies to provide information about changes in their financing liabilities and come as a response to requests from investors for information that helps them better understand changes in a company's debt. The amendments will help to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

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

2.3 New and Revised Turkish Accounting Standards (Continued)

- TAS 12 'Income Taxes' effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 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

- TFRS 16 'leases' effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15, 'Revenue from Contracts with Customers', is also applied. New standard 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.

As the date of financial statements approval, following standards, interpretations and changes has been published as draft by the POAASA.

- TFRS 9 "Financial instruments"
- TFRS 15 "Revenue from contracts with customers"

Group will evaluate the effects of new and revised standards and interpretations on its operations and will be implemented after its effective date.

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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 2017 and 2016 is as follows:

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**

(*) Tesco Kipa EBITDA for the period 1 March-31 March 2017 is TRL (9.033) and included in Turkey segment.

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NOTE 3 - SEGMENT REPORTING (Continued)

Segment analysis for the period 1 January - 31 March 2016

	Turkey	Other countries	Combined total	Intersegment eleminations	Total
External revenues	2.331.002	80.095	2.411.097	-	2.411.097
Inter segment revenues	1.636	-	1.636	(1.636)	-
Sales revenue	2.332.638	80.095	2.412.733	(1.636)	2.411.097
Cost of sales	(1.693.583)	(59.611)	(1.753.194)	1.636	(1.751.558)
Gross profit	639.055	20.484	659.539	-	659.539
Selling and marketing expenses	(488.074)	(13.269)	(501.343)	-	(501.343)
General administrative expenses	(74.334)	(8.318)	(82.652)	-	(82.652)
Addition: Depreciation and amortisation expenses	44.706	4.203	48.909	-	48.909
Addition: Provision for employement termination benefits	6.938	-	6.938	-	6.938
Addition: Termination benefits paid	5.293	-	5.293	-	5.293
Addition: Unused vacation provision	10.846	-	10.846	-	10.846
EBITDA	**144.430**	**3.100**	**147.530**	**-**	**147.530**
Addition: Rent expenses	123.054	4.418	127.472	-	127.472
EBITDAR	**267.484**	**7.518**	**275.002**	**-**	**275.002**

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NOTE 3 - SEGMENT REPORTING (Continued)

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

	1 January - 31 March 2017	1 January - 31 March 2016
EBITDAR reported segments	317.266	275.002
Rent expenses	(161.470)	(127.472)
EBITDA reported segments	**155.796**	**147.530**
Depreciation and amortisation	(58.673)	(48.909)
Provision for employement termination benefits	(7.890)	(6.938)
Termination benefits paid	(5.175)	(5.293)
Unused vacation liability	(8.811)	(10.846)
Other operating income	23.191	16.308
Other operating expense (-)	(67.273)	(46.533)
Operating profit	**31.165**	**45.319**
Income from investing activities	1.069.574	460
Expense from investing activities (-)	(1.577)	(1.384)
Operating profit beftore finance income	**1.099.162**	**44.395**
Financial income	16.696	8.277
Financial expense (-)	(201.964)	(72.842)
Income/(loss) before tax	**913.894**	**(20.170)**

NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS

Short term derivative instruments	**31 March 2017**	**31 December 2016**
Currency option	290	602
	290	**602**

Long term derivative instruments

	31 March 2017	**31 December 2016**
Cap option	10	18
	10	**18**

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NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

31 March 2017

	Agreement type	Transaction date	Effective date	Expiration date	Derivative instrument amount (EUR)	Fair value (TRL)
Current assets	Cap option	21 Nov 2014	28 Nov 2014	30 Nov 2016	360 million	-
	Foreign currency option	22 June 2016	24 June 2016	31 May 2017	2,5 million	57
	Foreign currency option	22 June 2016	24 June 2016	31 May 2017	2,5 million	213
	Foreign currency option	22 June 2016	24 June 2016	31 May 2017	1 million	20
Non current assets	Cap option	23 July 2015	26 Nov 2015	28 May 2018	35,2 million	2
	Cap option	23 July 2015	24 Nov 2015	29 May 2018	281,3 million	7
	Cap option	27 July 2015	24 Nov 2015	29 May 2018	35,2 million	1

31 December 2016:

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

NOTE 5 - INVESTMENT PROPERTY

	1 January 2017	Additions	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 - INVESTMENT PROPERTY (Continued)

	1 January 2016	Additions	Disposals	Transfers	Cumulative translation differences	31 March 2016
Cost						
Land and buildings	193.943	3.168	-	-	(2.549)	194.562
Accumulated depreciation						
Buildings	(47.538)	(950)	-	-	2.467	(46.021)
Net book value	**146.405**					**148.541**

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

Investment properties of the Group consist of leased space to other retailers in Ankamall Shopping Mall in Turkey, Samal Shopping Mall in Kazakhstan and Skopje Shopping Mall in Macedonia. As of March 31, 2017, the average leased space in Turkey and Macedonia are 6.741 m2 and 9.680 m2, respectively and there is no leased space in Kazakhstan due to the renovations in Ramstore Samal Shopping Center (31 December 2016: Turkey: 6.741 m2, Kazakhstan 2.857 m2, Macedonia 9.364 m2).

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

The total fair value of the investment properties is TRL 202.709 and it is TRL 57.197 higher than the carrying net book value in the interim condensed consolidated financial statements as of 31 March 2017.

There is no mortgage or pledge on the investment properties of the Group as of 31 March 2017.

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NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

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 TL 1.267 consists of leasehold improvements of the stores closed in 2017 (Note:16).

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NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement of property, plant and equipments period ended at 31 March 2016 is as follows;

	1 January 2016	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	31 March 2016
Cost							
Land and buildings	382.910	4.581	-	-	3.006	(686)	389.811
Leasehold improvements	516.389	6.678	-	(2.649)	3.850	(478)	523.790
Machinery and equipments	617.634	8.489	(6.912)	-	7.376	(637)	625.950
Motor vehicles	2.173	86	(291)	-	251	(7)	2.212
Furniture and fixtures	317.621	4.565	(1.116)	-	2.510	(117)	323.463
Construction in progress	22.579	30.489	-	-	(16.993)	53	36.128
	1.859.306	**54.888**	**(8.319)**	**(2.649)**	**-**	**(1.872)**	**1.901.354**
Accumulated depreciation							
Buildings	(68.658)	(2.948)	-	-	-	622	(70.984)
Leasehold improvements	(207.794)	(14.544)	-	2.023	-	236	(220.079)
Machinery and equipments	(234.987)	(17.470)	6.074	-	-	360	(246.023)
Motor vehicles	(1.158)	(75)	286	-	-	(2)	(949)
Furniture and fixture	(126.086)	(7.307)	813	-	-	(7)	(132.587)
	(638.683)	**(42.344)**	**7.173**	**2.023**	**-**	**1.209**	**(670.622)**
Net book value	**1.220.623**						**1.230.732**

(*) Impairment loss amounting to TL 626 consists of leasehold improvements of the stores closed in 2016 (Note:16).

There are no mortgages on property, plant and equipment as of March 31, 2017 and March 31, 2016.

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NOTE 7 - INTANGIBLE ASSETS

Movement of intangible assets period ended at 31 March 2017 and 2016 is as follows;

	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**

	1 January 2016	Additions	Disposals	Cumulative translation differences	31 March 2016
Cost					
Rent agreements (**)	32.982	-	-	-	32.982
Rights	109.205	7.123	-	(129)	116.199
Other intangible assets (***)	87.214	-	-	-	87.214
	229.401	**7.123**	**-**	**(129)**	**236.395**
Accumulated amortisation					
Rent agreements (**)	(30.147)	(240)	-	-	(30.387)
Rights	(54.471)	(4.907)	-	34	(59.344)
Other intangible assets (***)	(60.094)	(468)	-	-	(60.562)
	(144.712)	**(5.615)**	**-**	**34**	**(150.293)**
Net book value	**84.689**				**86.102**

NOTE 7 - 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 TL 14.442 in the interim condensed consolidated financial statements. Since the brand value is not predictable and has a certain life expectancy and the cost to be related to the profit or loss table is estimated every year for the protection of its value, it is considered as an intangible asset whose useful life is unlimited and amortization account is not applied for this asset. As stated in accounting policies, for the intangible assets whose useful life is determined to be unlimited, the impairment test is performed every year.

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

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

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

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

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

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NOTE 8 - INVENTORIES

	31 March 2017	31 December 2016	31 December 2015
Raw materials	9.493	7.276	7.191
Work in progress	14.936	8.762	5.244
Merchandise stocks	1.555.125	1.211.036	1.054.491
Other	1.361	1.207	1.325
Less: Provision for net realiazable value	(46.022)	(16.207)	(15.571)
	1.534.893	**1.212.074**	**1.052.680**

NOTE 9 - GOODWILL AND BUSINESS COMBINATIONS

	1 January - 31 March 2017	1 January - 31 December 2016
Opening balance	**2.252.992**	**2.251.427**
Increase in current period	-	1.565
Closing balane	**2.252.992**	**2.252.992**

In line with the Group's long-term growth strategies, Tesco Overseas Investments Limited ("Seller"), Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi A.Ş. ("Kipa") entered into a share purchase and sale agreement on 10 June 2016 with the aim of purchasing shares representing approximately 95,50% of the total capital of the Company belonging to the Seller. According to the share purchase agreement and Kipa's latest financial statements dated February 29, 2016, the purchase price of these shares was calculated as TL 302.287 as of the date of the purchase agreement (June 10, 2016). In this context, an application was filed with the Competition Authority as of 21 June 2016 and the application was approved on February 9, 2017. The purchase price of the shares was determined as 199.012 TL in accordance with the estimated annual closing balance of Kipa on February 28, 2017 and this amount was paid to the Seller on 1 March 2017, the date of share transfer. This amount will be subject to final price adjustments based on Kipa's annual closing balance, which has passed the independent audit on February 28, 2017 and has been finalized. The Group has recognized a non-controlling interest of TRY 59.865 over the proportional share of Kipa's non-controlling share of net identifiable assets. As noted in Note 25, the Group acquired Kipa's management as of March 1, 2017. Acquired operation provided net income amounting to TL 186.138 and net loss of TL 26.906 from March 1, 2017 to March 31, 2017. The principal activity of the acquired entity is retail trade.

The Group has accounted Kipa as a subsidiary in the scope of acquisition accounting in accordance with the TFRS 3, "Business Combinations" standard. As of March 31, 2017, fair values of identifiable assets acquired and liabilities recognized in the scope of the business combination are stated by hardclose balances in the balance sheet date. The time to make additions and corrections to the fair value of assets, liabilities and contingent liabilities is limited to 12 months from the date of purchase.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 9 - GOODWILL AND BUSINESS COMBINATIONS (Continued)

	1 March 2017 Hardclose Kipa Fair Value
ASSETS	
Cash and cash equivalents	49.166
Trade receivables	10.691
Other receivables and assets	32.854
Inventories	207.716
Total current assets	**300.427**
Property, plant and equipment and intangible assets	1.840.029
Other non-current assets	15.436
Total non-current assets	**1.855.465**
Total assets	**2.155.892**
LIABILITIES	
Short term borrowings	329.631
Trade payables	329.012
Other current payables and liabilities	97.005
Total current liabilities	**755.648**
Other long term provisions	20.823
Deferred tax liabilities	51.025
Non-current liabilities	**71.848**
Total liabilities	**827.496**
Total assets, net	1.328.396
Acquisition cost	199.012
Minority shares	59.865
Negative goodwill	**1.069.519**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 10 - FINANCIAL LIABILITIES

	31 March 2017			
	Effective interest rate	**Tenge**	**Euro**	**Total TRL equivalent**
Short term borrowings				
With fixed interest rate - TRL	15,29%	-	-	606.509
Total short term borrowings		**-**	**-**	**606.509**
Current portion of long term borrowings				
With floating interest rate - EUR	5,25%	-	54.014	211.101
With fixed interest rate - TRL	13,93%	-	-	41.640
With fixed interest rate - Tenge	15,00%	29.372	-	340
Total current portion of long term borrowings		**29.372**	**54.014**	**253.081**
Total current bank borrowings				**859.590**
Non-current bank borrowings				
With floating interest rate - EUR	5,25%	-	646.420	2.526.405
With fixed interest rate - TRL	13,93%	-	-	240.898
With fixed interest rate - Tenge	15,00%	2.050.000	-	23.696
Total non-current bank borrowings				**2.790.999**
Total financial liabilities				**3.650.589**

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

	Tenge loan TRL equivalent	**Euro loan TRL equivalent**	**TRL Loan**	**Total (TRL equivalent)**
1 April 2017 - 31 March 2018	340	211.101	648.149	859.590
1 April 2018 - 31 March 2019	2.257	344.909	48.715	395.881
1 April 2019 - 31 March 2020	4.513	428.613	49.534	482.660
1 April 2020 - 31 March 2021	4.513	461.387	45.578	511.478
1 April 2021 - 31 March 2022	4.513	486.068	41.146	531.727
1 April 2022 - 31 March 2023	4.513	516.763	37.416	558.692
1 April 2023 - 24 October 2023	3.387	288.665	18.509	310.561
	24.036	**2.737.506**	**889.047**	**3.650.589**

The fair value of bank borrowings at 31 March 2017 is TL 3.676.550.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 10 - FINANCIAL LIABILITIES (Continued)

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

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL Loan	Total (TRL equivalent)
1 April 2017 - 31 March 2018	-	80.569	610.466	691.035
1 April 2018 - 31 March 2019	2.257	241.679	24.285	268.221
1 April 2019 - 31 March 2020	4.513	369.211	37.100	410.824
1 April 2020 - 31 March 2021	4.513	453.119	45.532	503.164
1 April 2021 - 31 March 2022	4.513	537.056	53.967	595.536
1 April 2022 - 31 March 2023	4.513	637.741	64.084	706.338
1 April 2023 - 24 October 2023	3.385	385.989	38.786	428.160
	23.694	**2.705.364**	**874.220**	**3.603.278**

For the refinancing of the Company's debt of EUR 830 million, an agreement has been signed on 30 April 2015 between Migros Ticaret A.Ş and Türkiye Garanti Bankası A.Ş, Türkiye İş Bankası A.Ş., Akbank T.A.Ş, Türkiye Sınai Kalkınma Bankas A.Ş and Commercial Bank of Qatar (Q.S.C) for EUR 730 million and EUR 100 million equivalent of TRL with a maturity of 9 years and semi-annual interest payment and amortization. The Group obtained short term loan amounting to TRL 140.000 with 14,8% interest rate from Türkiye Garanti Bankası A.Ş, Türkiye İş Bankası A.Ş ve Akbank T.A.Ş on 22 February 2017 by drawing down on the existing lines in the facility agreement dated 30 April 2015.

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

The Group has obligation to meet various financial covenants according to loan agreement related to bank borrowings. As of 31 March 2017 the Group has met defined financial covenants requirements.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 10 - FINANCIAL LIABILITIES (Continued)

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

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

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

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

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NOTE 10 - FINANCIAL LIABILITIES (Continued)

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

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

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

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

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

NOTE 11 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions	31 March 2017	31 December 2016
Provision for litigation	72.460	27.105
Other	5.358	567
	77.818	**27.672**

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

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

Movement of provision for lawsuits is as follows:

1 January 2017	**27.105**
Increase during period	1.025
Increase related acquisition of subsidiary	44.940
Payments during period	(610)
31 March 2017	**72.460**

1 January 2016	**30.172**
Increase during period	2.787
Payments during period	(1.031)
31 March 2016	**31.928**

Collaterals, Pledges, Mortgages

31 March 2017:

	Total TRL amount	**TRL**	**USD**	**Euro**
A. CPM given on behalf of the Company's legal personality	205.201	197.279	2.177	-
B. CPM given on behalf of fully consolidated subsidiaries	176.386	140.000	10.000	-
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	**381.587**	**337.279**	**12.177**	**-**
Proportion of the other CPM's to equity	**0,0**	**-**	**-**	**-**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 11 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

31 December 2016:

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

Contingent assets and liabilities

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

	31 March 2017	**31 December 2016**
Letter of guarantees given	381.587	86.092
	381.587	**86.092**

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

	31 March 2017	**31 December 2016**
Guarantees obtained from customers	124.497	88.356
Morgages obtained from customers	16.046	26.825
	140.543	**115.181**

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

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 2017	31 December 2016
Payable within 1 year	55.506	40.843
Payable in 1 to 5 years	8.712	10.017
	64.218	**50.860**

NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS

	31 March 2017	31 December 2016
Provision for employee termination benefits	106.194	79.057
Provision for unused vacation	104.773	93.105
	210.967	**172.162**

Movement of unused vacation provision is as follows:

1 January 2016	**75.970**
Increase during year	12.735
Payments during period	(1.889)
31 March 2016	**86.816**
1 January 2017	**93.105**
Increase during year	10.654
Payments during period	(1.843)
Increase related acquisition of subsidiary	2.857
31 March 2017	**104.773**

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NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS (Continued)

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

1 January 2016	**64.283**
Increase during period	12.231
Payments during period	(5.293)
31 March 2016	**71.221**
1 January 2017	**79.057**
Increase during period	13.065
Payments during period	(5.175)
Increase related acquisition of subsidiary	19.247
31 March 2017	**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 2017 and consolidated financial statements as of 31 December 2016, the Group reflected a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 4.426,16 effective from 1 January 2017 has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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NOTE 13 - REVENUE

	1 January - 31 March 2017	1 January - 31 March 2016
Domestic sales	3.076.271	2.390.352
Foreign sales	98.658	79.833
Other sales	5.391	2.650
Gross sales	**3.180.320**	**2.472.835**
Discounts and returns (-)	(66.685)	(61.738)
Sales revenue, net	**3.113.635**	**2.411.097**
Cost of sales	(2.296.306)	(1.751.558)
Gross profit	**817.329**	**659.539**

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

	1 January - 31 March 2017	1 January - 31 March 2016
Retail sales revenue	3.066.327	2.389.310
Wholesale revenue	79.591	59.857
Rent income	29.011	21.018
	3.174.929	**2.470.185**

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NOTE 14 - EXPENSE BY NATURE

Total	**1 January - 31 March 2017**	**1 January- 31 March 2016**
Staff costs	319.857	252.611
Rent	161.470	127.472
Depreciation and amortisation	58.673	48.909
Energy	36.714	30.525
Transportation	31.687	19.528
Advertising	21.761	19.715
Porterage and cleaning	21.575	17.038
Warehouse	19.726	15.999
Mechanisation	11.139	6.605
Repair and maintanence	10.926	8.980
Security	8.383	6.350
Taxes and other fees	3.800	3.681
Communication	3.144	2.533
Other	33.227	24.049
	742.082	**583.995**

Marketing expenses	**1 January - 31 March 2017**	**1 January - 31 March 2016**
Staff costs	282.601	226.183
Rent	161.293	127.315
Energy	36.304	30.222
Transportation	31.687	19.528
Advertising	21.699	19.662
Porterage and cleaning	20.901	16.468
Warehouse	19.726	15.999
Repair and maintanence	10.774	8.844
Security	7.964	6.100
Mechanisation	7.804	5.831
Taxes and other fees	3.563	3.286
Communication	2.743	2.198
Other	26.831	19.707
	633.890	**501.343**

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NOTE 14 - EXPENSE BY NATURE (Continued)

General administrative expenses	**1 January - 31 March 2017**	**1 January - 31 March 2016**
Depreciation and amortisation	58.673	48.909
Staff costs	37.256	26.428
Other	12.263	7.315
	108.192	**82.652**

Expenses by nature in cost of sales for the periods 1 January - 31 March 2017 and 2016 are as follows:

	1 January - 31 March 2017	**1 January - 31 March 2016**
Cost of goods sold	2.287.937	1.743.490
Cost of service rendered	8.369	8.068
	2.296.306	**1.751.558**

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.

NOTE 15 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	**1 January - 31 March 2017**	**1 January - 31 March 2016**
Interest income on term sales	13.178	9.925
Interest income from operating activities	7.786	4.935
Gain on sale of scrap goods	421	454
Other	1.806	994
	23.191	**16.308**

Other operating expenses	**1 January - 31 March 2017**	**1 January - 31 March 2016**
Interest expense on term purchases	56.372	41.906
Bad debt provision expense	1.456	108
Litigation provision	1.025	2.787
Other	8.420	1.732
	67.273	**46.533**

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NOTE 16 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities	**1 January - 31 March 2017**	**1 January - 31 March 2016**
Subsidiary acquisition profit (Note 9)	1.069.519	-
Gain on sale of property, plant and equipment	55	460
	1.069.574	**460**

Expense from investing activities	**1 January - 31 March 2017**	**1 January - 31 March 2016**
Losses from leasehold improvements of closed stores (Note 6)	1.267	626
Loss on sale of property, plant and equipment	310	758
	1.577	**1.384**

NOTE 17 - FINANCIAL INCOME

	1 January - 31 March 2017	**1 January - 31 March 2016**
Foreign exchange gains	15.196	7.066
Interest income on bank deposits	1.500	1.211
	16.696	**8.277**

NOTE 18 - FINANCIAL EXPENSES

	1 January - 31 March 2017	**1 January - 31 March 2016**
Foreign exchange losses	140.786	28.083
Interest expense on bank borrowings	54.610	39.602
Financial expense on derivativies	320	269
Interest provision on tax penalty	-	2.240
Other	6.248	2.648
	201.964	**72.842**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 19 - TAX ASSETS AND LIABILITIES

	31 March 2017	**31 December 2016**
Taxes and fund payable	2.520	72.355
Less: Prepaid current income taxes	(1.854)	(52.403)
Taxes on income	**666**	**19.952**

	31 March 2017	**31 December 2016**	**31 December 2015**
Deferred tax assets	78.282	63.324	54.293
Deferred tax liabilities	(189.599)	(116.388)	(114.464)
Deferred tax liabilities, net	**(111.317)**	**(53.064)**	**(60.171)**

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

In Turkey, corporation tax rate as of 31 March 2017 is 20% (2016: 20%).

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

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

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

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The details of taxation on income for the periods ended 31 March 2017 and 2016 are as follows:

	1 January - 31 March 2017	1 January - 31 March 2016
Current period tax expense	(753)	(8.156)
Deferred tax income	(7.108)	2.583
	(7.861)	**(5.573)**

Income witholding tax

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

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

Deferred income tax

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

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences			**Deferred tax assets/(liabilities)**		
	31 March 2017	**31 December 2016**	**31 December 2015**	**31 March 2017**	**31 December 2016**	**31 December 2015**
Deferred tax assets:						
Short term provisions	140.048	131.094	106.142	28.090	26.219	21.228
Inventories	49.713	103.046	94.919	9.943	20.610	18.984
Provision for employee termination benefits	106.194	79.057	64.283	21.239	15.811	12.857
Unincurred interest income	252	226	237	50	45	47
Other	94.802	3.194	5.886	18.960	639	1.177
				78.282	**63.324**	**54.293**
Deferred tax liabilities:						
Fair value change of derivative financial instruments	300	620	422	(60)	(124)	(84)
Property, plant and equiment, intangible assets and investment properties	1.485.181	580.921	578.929	(177.411)	(108.959)	(108.762)
Unincurred interest expense	31.665	27.415	24.345	(6.333)	(5.483)	(4.869)
Other	28.973	9.108	3.745	(5.795)	(1.822)	(749)
				(189.599)	**(116.388)**	**(114.464)**
Total deferred tax liability, net				**(111.317)**	**(53.064)**	**(60.171)**

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

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

1 January 2016	**(60.171)**
Deferred tax income from continuing operations	2.583
Cumulative translation difference	73
31 March 2016	**(57.515)**
1 January 2017	**(53.064)**
Deferred tax expense from continuing operations	(7.108)
Cumulative translation difference	(120)
Subsidiary acquired from acquisition	(51.025)
31 March 2017	**(111.317)**

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

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

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

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

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

Merger of enterprises subject to common control

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

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

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

NOTE 21 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Due from related parties	**31 March 2017**	**31 December 2016**
Anadolu Isuzu Otomotiv Sanayi ve Tic. A.Ş.	10	301
Anadolu Motor Üretim ve Pazarlama A.Ş.	1	89
Çelik Motor Ticaret A.Ş.	-	153
Other	88	57
	99	**600**

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

Due to related parties	**31 March 2017**	**31 December 2016**
Anadolu Efes Pazarlama ve Dağıtım Ticaret A.Ş.	70.630	86.990
Coca Cola Satış ve Dağıtım A.Ş.	54.425	43.799
Adel Kalemcilik Ticaret ve San. A.Ş.	7.836	5.303
AEH Sigorta Acenteliği A.Ş.	6.615	5.458
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	3.155	3.279
Ana Gıda İhtiyaç Maddeleri San. ve Tic. A.Ş. (*)	-	30.337
Other	110	4
	142.771	**175.170**

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

b) Transactions with related parties

Inventory purchases	**31 March 2017**	**31 March 2016**
Anadolu Efes Paz. ve Dağıtım Ticaret A.Ş.	51.931	39.819
Coca Cola Satış ve Dağıtım A.Ş.	37.640	31.445
Ana Gıda İhtiyaç Maddeleri San. ve Tic. A.Ş.	20.042	28.594
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	9.762	2.021
Adel Kalemcilik Ticaret ve San. A.Ş.	2.625	326
	122.000	**102.205**

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

Other transactions	**31 March 2017**	**31 March 2016**
Rent income	195	134
Rent expense	(1.005)	(619)
Other income	68	95
Other expense	(15)	(14)
Other transactions, net	**(757)**	**(404)**

Interest income from related parties	**31 March 2017**	**31 December 2016**
Alternatifbank A.Ş. (*)	-	855
	-	**855**

Interest paid to related parties	**31 March 2017**	**31 December 2016**
Alternatifbank A.Ş. (*)	-	383
	-	**383**

(*) Alternatifbank A.Ş. is excluded from the related parties since Anadolu Endüstri Holding A.Ş. (“AEH”) sold all its shares as of 19 December 2016

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 2017 and 2016 is as follows:

	31 March 2017	**31 March 2016**
Short term benefits	3.497	2.710
	3.497	**2.710**

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 22 - EARNINGS/(LOSSES) PER SHARE

	31 March 2017	**31 March 2016**
Net (loss)/income attributable to shareholders	907.015	(25.758)
Weighted average number of shares with Kr1 face value each('000)	17.803.000	17.803.000
Earnings/(losses) per share	**5,09**	**(0,14)**

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

NOTE 23 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION

The Group is exposed to foreign exchange risk primarily arising from the borrowings denominated in foreign currencies. Aforementioned foreign exchange risk is monitored and limited with derivative instruments. At 31 March 2017, if Euro had appreciated against TL by 5% and all other variables had remained constant, the profit for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in Euro would have been less in the amount of TL123.972.

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

FOREIGN CURRENCY POSITION

	31 March 2017				31 December 2016			
	Total TL equivalent	**USD**	**Euro**	**Other TL equivalent**	**Total TL equivalent**	**USD**	**Euro**	**Other TL equivalent**
Cash and cash equivalents	275.656	3.595	67.110	289	200.705	3.669	50.520	369
Trade receivables	391	83	-	88	765	217	-	-
Other	2.181	600	-	-	2.246	638	-	-
Current assets	**278.228**	**4.278**	**67.110**	**377**	**203.716**	**4.524**	**50.520**	**369**
Total Assets	**278.228**	**4.278**	**67.110**	**377**	**203.716**	**4.524**	**50.520**	**369**
Trade payables	3.799	670	282	257	6.394	1.817	-	-
Financial liabilities	211.103	-	54.014	-	197.873	-	53.336	-
Current liabilities	**214.902**	**670**	**54.296**	**257**	**204.267**	**1.817**	**53.336**	**-**
Financial liabilities	2.526.405	-	646.420	-	2.368.091	-	638.317	-
Non-monetary other liabilities	3.435	86	799	-	2.828	-	762	-
Non-current liabilities	**2.529.840**	**86**	**647.219**	**-**	**2.370.919**	**-**	**639.079**	**-**
Total liabilities	**2.744.742**	**756**	**701.515**	**257**	**2.575.186**	**1.817**	**692.415**	**-**

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

FOREIGN CURRENCY POSITION

	31 March 2017				**31 December 2016**			
	Total TL equivalent	**USD**	**Euro**	**Other TL equivalent**	**Total TL equivalent**	**USD**	**Euro**	**Other TL equivalent**
Net asset/(liability) position of off-balance sheet derivatives (A-B)	-	-	-	-	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	**(2.466.514)**	**3.522**	**(634.405)**	**120**	**(2.371.470)**	**2.707**	**(641.895)**	**369**
Net foreign currency asset/(liability) position of monetary items	**(2.465.260)**	**3.008**	**(633.606)**	**120**	**(2.370.888)**	**2.070**	**(641.133)**	**369**
Fair value hedge funds of foreign currency	290	-	-	-	602	-	-	-
Hedge amount of foreign currency assets	-	-	-	-	-	-	-	
Hedge amount of foreign currency liabilities	23.450	-	6.000	-	22.259	-	6.000	-
Export	-	-	-	-	-	-	-	-
Import	29.060	9.994	-	-	70.988	24.054	-	-

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

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

31 March 2017

	Gain/Loss	
	Foreign exchange appreciation	**Foreign exchange depreciation**
%5 change in Euro exchange rate		
Euro net asset/liability	(123.972)	123.972
Portion secured from Euro risk	-	-
Euro net effect	(123.972)	123.972

31 December 2016

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

NOTE 24 - FINANCIAL INSTRUMENTS

Fair value estimation

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

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

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

NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

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

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

NOTE 25 - SUBSEQUENT EVENTS

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

In this context, Moonlight Capital has notified AEH on May 2, 2017 of its decision regarding the exercise of the aforementioned sale option. In regard of this transaction, it is calculated that AEH will pay total amount of TL 509.029.436 after deductions, for the purchase of 19,5% shares of MH Perakendecilik, based on per share price of TL 30,2 for Migros, in line with the provisions of the Share Purchase Agreement dated December 31, 2014. The exercise of the option will be completed by the end of the 10th business day following this notification; i.e. May 16, 2017 pursuant to the transfer of purchase amount and shares, again along the provisions of the Share Purchase Agreement. Following the transaction, while AEH's share in MH Perakendecilik will increase to 100,0% and accordingly its indirect share in Migros will increase to 50,0%, BC Partners' share in Migros through the funds it manages will be at 30,5%. Migros will continue to be equally controlled by BC Partners' managed funds and AEH; as such there will be no mandatory tender offer requirement.

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