

MİGROS TİCARET ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION
INTO ENGLISH OF
CONDENSED INTERIM
CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE INTERIM PERIOD
1 JANUARY – 31 MARCH 2014**

(ORIGINALLY ISSUED IN TURKISH)

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

**MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL POSITION AT 31 MARCH 2014**

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

	Notes	Not Reviewed 31 March 2014	Audited 31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents		1.095.883	1.038.329
Financial investments		13.248	9.726
Trade receivables		54.073	48.395
- Due from related parties	21	39	55
- Other trade receivables		54.034	48.340
Other receivables		2.284	1.050
- Other receivables		2.284	1.050
Derivative financial instruments	4	661	879
Inventories	8	830.889	851.243
Prepaid expenses		37.550	28.635
Other current assets		2.268	2.470
Total current assets		2.036.856	1.980.727
Non-current assets			
Financial investments		1.695	1.695
Other receivables		1.434	1.434
Derivative financial instruments	4	8	70
Investment properties	5	44.374	46.267
Property, plant and equipment	6	1.219.310	1.233.665
Intangible assets		2.501.567	2.501.008
- Goodwill	9	2.251.427	2.251.427
- Other intangible assets	7	250.140	249.581
Prepaid expenses		30.008	31.769
Total non-current assets		3.798.396	3.815.908
Total assets		5.835.252	5.796.635

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

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**MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL POSITION AT 31 MARCH 2014**

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

	Notes	Not Reviewed 31 March 2014	Audited 31 December 2013
LIABILITIES			
Current liabilities			
Short term portion of the long term borrowings	10	537.408	491.973
Trade payables		1.695.496	1.685.963
- Due to related parties	21	845	734
- Other trade payables		1.694.651	1.685.229
Employee benefit obligations		36.273	34.909
Other payables		3.468	2.574
- Other payables		3.468	2.574
Derivative financial instruments	4	1.082	-
Deferred income		2.752	3.612
Taxes on income	19	15.217	18.327
Short term provisions		77.259	75.007
- Short term provisions for employee benefits	12	56.095	52.577
- Other short term provisions	11	21.164	22.430
Other current liabilities		45.524	48.304
Total current liabilities		2.414.479	2.360.669
Non-current liabilities			
Long term borrowings	10	2.499.328	2.440.568
Other payables		3.242	3.244
- Other payables		3.242	3.244
Derivative financial instruments	4	1.688	869
Deferred income		2.018	2.250
Long term provisions		47.321	43.954
- Long term provisions for employee benefits		47.321	43.954
Deferred income tax liabilities	19	112.005	114.857
Total non-current liabilities		2.665.602	2.605.742
EQUITY			
Attributable to equity holders of the parent		754.449	829.533
Share capital	20	178.030	178.030
Other capital reserves		(365)	(365)
Additional contribution to Share premium	20	27.312	27.312
		678.233	678.233
Items that will not be reclassified subsequently to profit or loss			
- Defined benefit plans re-measurement gains / losses		(12.839)	(12.839)
Items that may be reclassified subsequently to profit or loss			
- Cumulative translation differences		27.275	41.122
Restricted reserves		385.856	385.856
Retained earnings		(467.816)	(4.641)
Net income / (loss) for the period		(61.237)	(463.175)
Non-controlling interest		722	691
Total equity		755.171	830.224
Total liabilities and equity		5.835.252	5.796.635

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MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014**

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

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

		Not Reviewed	Restated
	Notes	1 January - 31 March 2014	1 January - 31 March 2013
PROFIT OR LOSS			
Revenue	3,13	1.772.501	1.590.678
Cost of sales (-)	3,13	(1.295.237)	(1.168.635)
GROSS PROFIT	3,13	477.264	422.043
General administrative expenses (-)	14	(65.129)	(60.522)
Marketing, selling and distribution expenses (-)	14	(348.549)	(302.790)
Other operating income	15	16.033	8.985
Other operating expenses (-)	15	(32.393)	(23.865)
OPERATING PROFIT	3	47.226	43.851
Income from investment activities	16	338	217
Expenses from investment activities (-)	16	(1.076)	(3.092)
OPERATING INCOME BEFORE FINANCE EXPENSES/INCOME	3	46.488	40.976
Financial income	17	15.855	38.584
Financial expenses (-)	18	(110.473)	(36.922)
NET (LOSS) / INCOME BEFORE TAX FROM CONTINUING OPERATIONS	3	(48.130)	42.638
Tax expense from continuing operations	19	(13.094)	(7.748)
- Income tax expense	19	(16.418)	(9.568)
- Deferred tax expense	19	3.324	1.820
NET (LOSS) / INCOME FROM CONTINUING OPERATIONS		(61.224)	34.890
NET (LOSS) / INCOME		(61.224)	34.890
Net (loss) / income attributable to:			
- Non-controlling interest		13	18
- Equity holders of the parent		(61.237)	34.872
		(61.224)	34.890
(Loss) / earning per share	22	(0,34)	0,20

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MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014**

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

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

	Not Reviewed	Restated
	1 January -	1 January -
	31 March 2014	31 March 2013
Net (loss) / profit for the period	(61.224)	34.890
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(13.829)	(26)
Other comprehensive income / (loss)	(13.829)	(26)
Total comprehensive (loss) / income	(75.053)	34.864
Total comprehensive (loss) / income attributable to:		
- Non-controlling interest	31	42
- Equity holders of the parent	(75.084)	34.822
	(75.053)	34.864

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

MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014

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

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

	Share capital	Other capital reserves	Share premium	Additional contribution to equity related to merger	Items that may be reclassified subsequently to profit or loss	Items that will not be reclassified subsequently to profit or loss	Restricted reserves	Retained earnings		Attributable to owners of the parent	Non-controlling interest	Total equity
					Cumulative translation differences	Defined benefit plans, re-measurement gains / (losses)		Accumulated (losses) / profit	Net (loss) / income for the period			
Balances at 1 January 2013	178.030	(365)	678.233	27.312	10.973	-	385.856	(106.548)	88.063	1.261.554	522	1.262.076
Transfers	-	-	-	-	-	-	-	88.063	(88.063)	-	-	-
Total comprehensive income	-	-	-	-	(50)	-	-	-	34.872	34.822	42	34.864
Balances at 31 March 2013	178.030	(365)	678.233	27.312	10.923	-	385.856	(18.485)	34.872	1.296.376	564	1.296.940
Balances at 1 January 2014	178.030	(365)	678.233	27.312	41.122	(12.839)	385.856	(4.641)	(463.175)	829.533	691	830.224
Transfers	-	-	-	-	-	-	-	(463.175)	463.175	-	-	-
Total comprehensive income	-	-	-	-	(13.847)	-	-	-	(61.237)	(75.084)	31	(75.053)
Balances at 31 March 2014	178.030	(365)	678.233	27.312	27.275	(12.839)	385.856	(467.816)	(61.237)	754.449	722	755.171

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MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014**

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

		Not Reviewed	Restated
		1 January -	Not Reviewed
	Notes	31 March 2014	1 January -
			31 March 2013
A. Cash flows from operating activities			
(Loss) / income for the period		(61.224)	34.890
Adjustments for reconciliation of (loss) / profit before taxation			
Adjustments for depreciation and amortisation	14	38.411	34.914
Adjustments for provision for employment termination benefits	12	9.717	7.495
Adjustments for provision for unused vacation	12	5.539	4.895
Adjustments for provision for litigation	11	(756)	2.736
Adjustments for doubtful receivable provision	15	717	2.745
Adjustments for income tax expense / income	19	13.094	7.748
Interest income	15,17	(17.580)	(10.679)
Interest expense	15,18	61.623	42.856
Adjustments for unrecognized foreign exchange differences		70.350	(34.149)
Adjustments for fair value losses	17,18	2.181	1.223
Adjustments for (loss) / gain on sale of property, plant and equipment	16	312	(109)
Adjustments for impairment / reversal of property, plant and equipment	16	426	2.984
		122.810	97.549
Changes in working capital			
Adjustments for increase / decrease in inventories	-	20.354	12.513
Adjustments for increase / decrease in trade receivables		(6.395)	(9.403)
Adjustments for increase / decrease in other receivables related with operations		(11.708)	(31.344)
Adjustments for increase / decrease in trade payables		9.533	(30.348)
Adjustments for increase / decrease in other payables related with operations		(1.616)	13.743
		132.978	52.710
Cash flows from operating activities			
Employment termination benefits paid	12	(6.350)	(4.756)
Unused vacation paid	12	(2.021)	(1.529)
Interest received		14.386	7.627
Interest paid		(27.778)	(15.369)
Taxes paid / return	19	(19.528)	(9.021)
Compensations paid	11	(510)	(1.642)
		91.177	28.020

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)
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		Not Reviewed	Restated
	Notes	1 January - 31 March 2014	Not Reviewed 1 January - 31 March 2013
B. Cash flows from investing activities			
Cash inflows from the sale of tangible and intangible assets	5, 6, 7, 16	503	260
Cash outflows from the purchase of tangible and intangible assets	5, 6, 7	(31.863)	(34.403)
		(31.360)	(34.143)
C. Cash flows from financing activities			
Cash outflows due to debt repayments		-	(134.891)
Interest received		3.194	3.052
Interest paid		-	(2.131)
		3.194	(133.970)
D. Impact of foreign currency translation differences on cash and cash equivalents			
		(5.457)	172
Net increase / (decrease) in cash and cash equivalents		57.554	(139.921)
Cash and cash equivalents at the beginning of the period		1.038.329	1.040.867
Cash and cash equivalents at the end of the period		1.095.883	900.946

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MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)
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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 TL 1.922.440 subsequent to the approval of the Competition Board. As of 31 December 2008, Moonlight had increased its shares in Migros to 97,92% as a result of 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 TL 174.323.340 (Amount expresses in Turkish Lira) to TL 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 TL 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 will be mentioned as the “Group” together with its subsidiaries. The parent company of the Group is MH Perakendecilik ve Ticaret A.Ş. (“MH Perakendecilik”). Its shareholding in Migros Ticaret A.Ş is 80,51% (31 December 2013: 80,51%).

The Company is mainly engaged in the retail sales of food and beverages, consumer and durable goods through its Migros, 5M, Tansaş and Macrocenter banner stores in Turkey, shopping centers, Ramstores banner stores abroad and internet. The Company also rents floor space in the shopping malls to other trading companies. As of 31 March 2014, the Group operates 1.017 stores (31 December 2013: 1.004) with a net retail space of 904.762 (31 December 2013: 897.119) square meters. Retail is the main business of the Group and constitutes 97% of gross sales (March 2013: 96,8%).

The address of the registered office is as follows:

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

These consolidated financial statements have been approved for issue by the Board of Directors “(BOD)” on 12 May 2014 and signed by Ö.Özgür Tort, General Manager, and Erkin Yılmaz, Assistant General Manager, on behalf of the BOD. The owners of the Company have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

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MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)
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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries:

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

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Geographical segment</u>	<u>Nature of business</u>	<u>March 2014 %</u>	<u>December 2013 %</u>
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	Trade	100,0	100,0

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

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance

The Company maintains its books of account and prepares its statutory financial statements (“Statutory Financial Statements”) in accordance with accounting principles in the Turkish Commercial Code and tax legislation. Subsidiaries of the company which currently operate in foreign countries, maintain their books of account and prepare their financial statements in accordance with the local tax legislations of the countries where they are operating and they maintain their books of account and prepare their financial statements in terms of national currency.

The accompanying financial statements are prepared in accordance with the CMB’s 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. According to the article 5 of the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) and its addendum and interpretations (“IFRIC”) issued by Public Oversight Accounting and Auditing Standards Authority (“POAASA”) Turkish Accounting Standards Board.

Financial statements and notes are prepared in accordance with the new format of CMB released on 7 June 2013.

The financial statements have been prepared on the historical cost basis except for the financial assets and liabilities which are expressed with their fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets

Functional 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 TL, which is the functional currency of Migros Ticaret A.Ş. and the presentation currency of the Group.

Restatement of the financial statements in Hyperinflationary periods

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards, the application of inflation accounting is no longer required. Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies”, issued by the IASB, has not been applied in the financial statements for the accounting periods starting 1 January 2005.

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

2.1 Basis of Presentation (Continued)

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. Group made some reclassifications in the previous period’s financial statements in order to comply with the new format of Capital Market Board issued on 7 June 2013. The nature, cause and amount of reclassifications are as follows:

- As of 31 March 2013, in the consolidated profit or loss table , “interest income on term sales” amounting to TL 4.702 and “interest expense on term purchases” amounting to TL 15.369 were formerly disclosed in “financial income” and “financial expenses”, respectively. In the current year, Group management reclassified these amounts to “Other operating income” and “Other operating expenses” respectively.
- As of 31 March 2013, in the consolidated profit or loss table , “interest income from operating activities” amounting to TL 2.925 was formerly disclosed in “financial income”. In the current year, Group management reclassified this amount to “Other operating income”.
- As of 31 March 2013, in the consolidated profit or loss table , “gain on sale of property plant and equipment” amounting to TL 217 and “loss on sale of a property, plant and equipment” amounting to TL 108 and “Losses from closed stores” amounting to TL 2.984 were formerly disclosed in “other operating income” and “other operating expenses”, respectively. In the current year, Group management reclassified these amounts to “Income from investing activities” and “Expenses from investing activities”, respectively.

2.2 Changes in the Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

The Group’s significant accounting policies that are used for the preparation of condensed consolidated financial statements as of 31 March 2014 are consistent with accounting policies presented in the consolidated financial statements as 31 December 2013.

2.3 Changes in the Accounting Estimates and Errors

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 Group did not have any major changes in the accounting estimates during the current year.

Significant accounting errors are corrected retrospectively, by restating the prior period consolidated financial statements.

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FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)
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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TFRSs affecting amounts reported and the disclosures in the financial statements

None.

b) New and Revised TFRSs effective since the year 2014 with no material effect on financial statements with amendments and interpretations on current TFRSs.

Amendments to TFRS 10, 11, TAS 27	<i>Investment Entities¹</i>
Amendments to TAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to TAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
Amendments to TAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
IFRIC 21	<i>Levies¹</i>

¹ Effective for annual periods beginning on or after 1 January 2014.

Amendments to TFRS 10, 11, TAS 27 *Investment Entities*

This amendment with the additional provisions of TFRS 10 provide ‘investment entities’ (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to TAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to TAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

Amendments to TAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

As a consequence of TFRS 13 *Fair Value Measurements*, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of TAS 36 has been changed.

Amendments to TAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

This amendment to TAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRIC 21 *Levies*

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

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

c) New and Revised TFRSs in issue but not yet effective

The Group has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>

TFRS 9 *Financial Instruments*

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 *Mandatory Effective Date of TFRS 9 and Transition Disclosures*

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

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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 segment information provided to the board of directors as of 31 March 2014 is as follows:

a) Segment analysis for the period 1 January - 31 March 2014

	Turkey	Other countries	Combined total	Intersegment elimination	Total
External revenues	1.656.043	116.458	1.772.501	-	1.772.501
Inter segment revenues	1.094	-	1.094	(1.094)	-
Sales revenue	1.657.137	116.458	1.773.595	(1.094)	1.772.501
Cost of goods sold	(1.208.501)	(87.830)	(1.296.331)	1.094	(1.295.237)
Gross profit	448.636	28.628	477.264	-	477.264
Selling and marketing expenses	(331.226)	(17.323)	(348.549)	-	(348.549)
General administrative expenses	(55.877)	(9.252)	(65.129)	-	(65.129)
Addition: Depreciation and amortization	33.366	5.045	38.411	-	38.411
Addition: Provision for employment termination benefits	3.367	-	3.367	-	3.367
Addition: Termination benefits paid	6.350	-	6.350	-	6.350
Addition: Unused vacation provision	3.518	-	3.518	-	3.518
EBITDA	108.134	7.098	115.232	-	115.232
Addition: Rent expenses	87.413	5.094	92.507	-	92.507
EBITDAR	195.547	12.192	207.739	-	207.739

b) Segment analysis for the period 1 January – 31 March 2013

	Turkey	Other countries	Combined total	Intersegment elimination	Total
External revenues	1.493.198	97.480	1.590.678	-	1.590.678
Inter segment revenues	549	-	549	(549)	-
Sales revenue	1.493.747	97.480	1.591.227	(549)	1.590.678
Cost of goods sold	(1.095.939)	(73.245)	(1.169.184)	549	(1.168.635)
Gross profit	397.808	24.235	422.043	-	422.043
Selling and marketing expenses	(289.151)	(13.639)	(302.790)	-	(302.790)
General administrative expenses	(52.609)	(7.913)	(60.522)	-	(60.522)
Addition: Depreciation and amortization	30.662	4.252	34.914	-	34.914
Addition: Provision for employment termination benefits	2.739	-	2.739	-	2.739
Addition: Termination benefits paid	4.756	-	4.756	-	4.756
Addition: Unused vacation provision	3.366	-	3.366	-	3.366
EBITDA	97.571	6.935	104.506	-	104.506
Addition: Rent expenses	74.853	4.080	78.933	-	78.933
EBITDAR	172.424	11.015	183.439	-	183.439

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NOTE 3 - SEGMENT REPORTING (Continued)

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

	1 January - 31 March 2014	1 January - 31 March 2013
EBITDAR, reported segments	207.739	183.439
Rent expenses	(92.507)	(78.933)
EBITDA, reported segments	115.232	104.506
Depreciation and amortisation	(38.411)	(34.914)
Provision for employment termination benefits	(3.367)	(2.739)
Termination benefits paid	(6.350)	(4.756)
Unused vacation provision	(3.518)	(3.366)
Other operating income	16.033	8.985
Other operating expenses(-)	(32.393)	(23.865)
Operating profit	47.226	43.851
Income from investing activities	338	217
Expenses from investing activities (-)	(1.076)	(3.092)
Operating profit before finance (expense) / income	46.488	40.976
Financial income	15.855	38.584
Financial expenses(-)	(110.473)	(36.922)
(Loss) / Income before tax	(48.130)	42.638

NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS

Short term derivative financial instruments

	31 March 2014	31 December 2013
Current assets		
Cap option	-	9
Forward foreign exchange contracts	661	870
	661	879

	31 March 2014	31 December 2013
Current liabilities		
Forward foreign exchange contracts	1.082	-
	1.082	-

Long term derivative financial instruments

	31 March 2014	31 December 2013
Non-current assets		
Cap option	8	70
	8	70

	31 March 2014	31 December 2013
Non-current liabilities		
Interest rate swap contracts	1.688	869
	1.688	869

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NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The Group entered into a number of forward currency exchange contracts with banks in order to hedge its exchange rate risk. As at the settlement date, the Group sells TL and purchases Euro at agreed strike prices. The fair values of the foreign exchange contracts as of 31 March 2014 are as follows:

	EURO Amount to be purchased	TL Amount to be sold	Fair Value (TL)
Forward foreign exchange contracts	18.000	54.404	(421)

The fair values of the foreign exchange contracts as of 31 December 2013 are as follows:

	EURO Amount to be purchased	TL Amount to be sold	Fair Value (TL)
Forward foreign exchange contracts	6.000	17.370	870

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 2014 and 31 December 2013 are as follows:

31 March 2014

Current assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Cap	20 November 2012	30 November 2012	30 November 2014	300 million	-
					-

Non-current assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Cap	27 November 2013	29 November 2013	30 November 2015	206 million	8
					8

Non-current liabilities

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Interest rate swap	20 November 2012	30 November 2012	30 November 2015	200 million	1.688
					1.688

31 December 2013

Current assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Cap	20 November 2012	30 November 2012	30 November 2014	300 million	9
					9

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NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Non-current assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Cap	27 November 2013	29 November 2013	30 November 2015	206 million	70
					70

Non-current liabilities

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Interest rate swap	20 November 2012	30 November 2012	30 November 2015	200 million	869
					869

NOTE 5 - INVESTMENT PROPERTY

	Opening 1 January 2014	Additions	Disposals	Cumulative translation differences	Closing 31 March 2014
<u>Cost</u>					
Land and buildings	76.364	-	-	(1.067)	75.297
<u>Accumulated depreciation</u>					
Buildings	(30.097)	(966)	-	140	(30.923)
Net book value	46.267				44.374
	Opening 1 January 2013	Additions	Disposals	Cumulative translation differences	Closing 31 March 2013
<u>Cost</u>					
Land and buildings	70.589	-	-	(95)	70.494
<u>Accumulated depreciation</u>					
Buildings	(24.812)	(1.022)	-	32	(25.802)
Net book value	45.777				44.692

Depreciation expenses of the period are recorded in general administrative expenses.

Investment properties of the Group consist of space rented to other retailers in Samal shopping mall and Tastak store in Kazakhstan and Skopje shopping mall in Macedonia. At 31 March 2014, total investment property of Kazakhstan and Macedonia are 6.536 and 8.235 square meters respectively (31 December 2013: Kazakhstan 7.827 square meters, Macedonia 9.170 square meters).

Fair value of the investment properties in Kazakhstan and Macedonia are TL 62.855 and TL 58.799 respectively. This value has been calculated with discounted cash flow approach.

There is no mortgage or pledge on the investment properties of the Group as of 31 March 2014.

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NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2014	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	Closing 31 March 2014
Cost							
Land and buildings	481.229	635	-	-	2	(3.962)	477.904
Leasehold improvements	494.845	3.595	-	(5.674)	2.251	(3.201)	491.816
Machinery and equipments	476.977	5.442	(6.633)	-	5.986	(4.263)	477.509
Vehicles	1.675	703	(25)	-	-	(53)	2.300
Furniture and fixture	244.092	5.575	(1.508)	-	796	(864)	248.091
Construction in progress	5.185	11.536	-	-	(9.035)	-	7.686
	1.704.003	27.486	(8.166)	(5.674)	-	(12.343)	1.705.306
Accumulated depreciation							
Buildings	(49.940)	(2.412)	-	-	-	1.316	(51.036)
Leasehold improvements	(189.289)	(11.979)	-	5.248	-	2.213	(193.807)
Machinery and equipments	(153.050)	(13.559)	6.242	-	-	2.139	(158.228)
Vehicles	(837)	(80)	24	-	-	-	(893)
Furniture and fixture	(77.222)	(5.903)	1.085	-	-	8	(82.032)
	(470.338)	(33.933)	7.351	5.248	-	5.676	(485.996)
Net book value	1.233.665						1.219.310

(*) Impairment loss amounting to net TL 426 consists of leasehold improvements of the stores closed in 2014 (Note:16).

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NOT 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	Opening 1 January 2013	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	Closing 31 March 2013
Cost							
Land and buildings	454.807	371	-	-	-	39	455.217
Leasehold improvements	455.539	3.232	-	(4.966)	2.663	293	456.761
Machinery and equipments	387.090	6.756	(1.098)	-	3.955	335	397.038
Vehicles	1.587	-	-	-	-	1	1.588
Furniture and fixture	197.522	4.388	(250)	-	1.848	22	203.530
Construction in progress	8.172	17.040	-	-	(8.466)	1	16.747
	1.504.717	31.787	(1.348)	(4.966)	-	691	1.530.881
Accumulated depreciation							
Buildings	(38.405)	(2.194)	-	-	-	(81)	(40.680)
Leasehold improvements	(156.426)	(10.569)	-	1.982	-	(61)	(165.074)
Machinery and equipments	(109.559)	(11.750)	970	-	-	(64)	(120.403)
Vehicles	(619)	(64)	-	-	-	1	(682)
Furniture and fixture	(57.366)	(4.777)	227	-	-	(79)	(61.995)
	(362.375)	(29.354)	1.197	1.982	-	(284)	(388.834)
Net book value	1.142.342						1.142.047

(*) Impairment loss amounting to net TL 2.984 consists of leasehold improvements of the stores closed in 2013 (Note:16).

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NOTE 7 – INTANGIBLE ASSETS

	Opening 1 January 2014	Additions	Disposals	Cumulative translation difference	Closing 31 March 2014
Cost					
Trademark (*)	202.175	-	-	-	202.175
Rent agreements (**)	32.982	-	-	-	32.982
Rights	55.542	4.377	(49)	(448)	59.422
Other intangible assets (***)	28.783	-	-	-	28.783
	319.482	4.377	(49)	(448)	323.362
Accumulated amortisation					
Rent agreements	(26.202)	(550)	-	-	(26.752)
Rights	(27.739)	(2.439)	49	142	(29.987)
Other intangible assets	(15.960)	(523)	-	-	(16.483)
	(69.901)	(3.512)	49	142	(73.222)
Net book value	249.581				250.140

	Opening 1 January 2013	Additions	Disposals	Cumulative translation difference	Closing 31 March 2013
Cost					
Trademark (*)	202.175	-	-	-	202.175
Rent agreements (**)	32.982	-	-	-	32.982
Rights	41.893	2.616	(2.290)	(5)	42.214
Other intangible assets (***)	28.783	-	-	-	28.783
	305.833	2.616	(2.290)	(5)	306.154
Accumulated amortisation					
Rent agreements	(23.449)	(688)	-	-	(24.137)
Rights	(21.045)	(2.752)	2.290	37	(21.470)
Other intangible assets	(12.829)	(1.098)	-	-	(13.927)
	(57.323)	(4.538)	2.290	37	(59.534)
Net book value	248.510				246.620

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NOTE 7 – INTANGIBLE ASSETS (Continued)

- (*) 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 fair value of Tansaş trademark which was considered as an identifiable intangible asset by the Group was determined by the relief from royalties method and estimated the fair value of the trademarks in the amount of TL 202.175 at the acquisition date 30 May 2008. This amount has been accounted for as an intangible asset in the consolidated financial statements. Since the trademark does not have a definite useful life and it is foreseen that certain expenses will be incurred each year in order to maintain its value, it is considered as an intangible asset with an indefinite useful life and therefore has not been amortised. Additionally, Migros assesses the intangible assets with indefinite useful lives annually for any indication of impairment.

- (**) The Group determined the value of the benefit derived from the lease contracts of MMM and Maxi stores, which were designated as intangible assets, at an amount of TL 32.982 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 square meters, from Hamoglu Yönetim Organizasyonu Personel Taşımacılık ve Yemek Üretim Hizmetleri İşletmecilik A.Ş. and also took over the rent agreements of the mentioned stores. The purchase cost in the amount of TL 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 square meters 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 TL 18.486, TL 601 for the Mak Gıda and TL 17.885 for Yonca, respectively- was accounted for under other intangible assets and has been amortised over the rent agreement period.

NOTE 8 – INVENTORIES

	31 March 2014	31 December 2013
Raw materials	4.961	673
Work in progress	8.441	5.703
Merchandise stocks	815.544	842.339
Other	1.943	2.528
	830.889	851.243

The Group valued the cost value of inventories over the most recent purchase price.

NOTE 9 – GOODWILL

	1 January - 31 March 2014	1 January - 31 March 2013
Opening balance	2.251.427	2.251.427
Closing balance	2.251.427	2.251.427

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NOTE 10 - FINANCIAL LIABILITIES

	31 March 2014		
	Weighted average interest rate	Euro	Total TL equivalent
Current portion of long-term bank borrowings			
- with fixed interest rates	2,00%	126	379
- with floating interest rates	4,28%	178.581	537.029
Total current bank borrowings		178.707	537.408
Non-current bank borrowings			
- with fixed interest rates	2,00%	248	746
- with floating interest rates	4,28%	830.867	2.498.582
Total non-current bank borrowings		831.115	2.499.328
Total financial liabilities		1.009.822	3.036.736

The redemption schedule of long-term bank borrowings with TL equivalents at 31 March 2014 is as follows:

	Euro	TL
1 April 2015 - 31 March 2016	199.064	598.625
1 April 2016 - 31 March 2017	234.171	704.199
1 April 2017 - 31 March 2018	257.452	774.209
1 April 2018 - 31 May 2018	140.428	422.295
	831.115	2.499.328

The fair value of bank borrowings at 31 March 2014 is TL 3.023.505.

With respect to long term bank loans, all Migros Ticaret A.Ş. shares owned by Parent Company MH Perakendecilik ve Ticaret A.Ş. was provided as collateral to the financial institutions as from the grant date of the loan. As of 31 March 2014, shares of Migros Ticaret A.Ş. which represents 80,51% of shares and amounting to 143.323.336 TL nominal value (14.332.333.600 shares) owned by MH Perakendecilik ve Ticaret A.Ş. is pledged (31 December 2013: 14.332.333.600 shares representing 80,51%).

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NOT 10 - FINANCIAL LIABILITIES (Continued)

	31 December 2013		
	Weighted average interest rate	Euro	Total TL equivalent
Current portion of long-term bank borrowings			
- with fixed interest rates	2,00%	124	364
- with floating interest rates	4,28%	167.413	491.609
Total current bank borrowings		167.537	491.973
Non-current bank borrowings			
- with fixed interest rates	2,00%	248	728
- with floating interest rates	4,28%	830.867	2.439.840
Total non-current bank borrowings		831.115	2.440.568
Total financial liabilities		998.652	2.932.541

The redemption schedule of long-term bank borrowings at 31 December 2013 is as follows:

	Euro	TL
1 January 2015 - 31 December 2015	199.064	584.551
1 January 2016 - 31 December 2016	234.171	687.643
1 January 2017 - 31 December 2017	257.452	756.007
1 January 2018 - 31 May 2018	140.428	412.367
	831.115	2.440.568

The fair value of bank borrowings at 31 December 2013 is TL 2.919.980.

Within the context of the “Facilities Agreement” signed with various financial institutions on 13 February 2008, considering the current market conditions and future plans, on 29 March 2013, the Group made an early payment of 58 Million Euro and its accrued interest, which reduced the remaining installments of the remaining loan of 1.052,7 Million Euro with 10 years maturity as of 31 December 2012 in chronological order. The outstanding capital payable regarding the mentioned “Facilities Agreement” as of 31 December 2013 is 994.7 Million Euro.

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NOTE 11 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

	31 March 2014	31 December 2013
Provision for litigation	21.164	22.430
Total current provisions	21.164	22.430

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

Movement of provision for lawsuits as follows:

1 January 2013	21.870
Increase during the period	2.736
Payments during the period	(1.642)
31 March 2013	22.964
1 January 2014	22.430
Increase during the period	(756)
Payments during the period	(510)
31 March 2014	21.164

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

a) Guarantees given as at 31 March 2014 and 31 December 2013 are as follows:

Collaterals, Pledges, Mortgages:

31 March 2014				
Collaterals, Pledges, Mortgages:	Total			
	TL Amount	TL	USD	Euro
A. CPM given on behalf of the Company's legal personality	83.429	82.320	472	25
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	-	-	-	-
i. Total amount of CPM given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-
Total Collaterals, Pledges, Mortgages	83.429	82.320	472	25

Proportion of other CPM's to equity	0,0%
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31 December 2013				
Collaterals, Pledges, Mortgages:	Total			
	TL Amount	TL	USD	Euro
A. CPM given on behalf of the Company's legal personality	74.024	72.943	472	25
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	-	-	-	-
i. Total amount of CPM given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-
Total Collaterals, Pledges, Mortgages	74.024	72.943	472	25

Proportion of other CPM's to equity	0,0%
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NOTE 11 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals, Pledges, Mortgages (Continued):

Contingent assets and liabilities:

a) Guarantees given at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014	31 December 2013
Letter of guarantees given	83.429	74.024

b) Guarantees received at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014	31 December 2013
Guarantees obtained from customers	96.676	100.338
Mortgages obtained from customers	19.327	19.116
	116.003	119.454

c) 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 2014	31 December 2013
Payable within 1 year	25.161	26.284
Payable in 1 to 5 years	10.200	10.703
5 years and more	2.042	2.282
	37.403	39.269

d) Tax legislations in Kazakhstan are subject to different manners of interpretation; therefore, it alters frequently. Accordingly, the interpretation of tax implications regarding the operations of Ramstore Kazakhstan by the tax authorities may differ from the interpretation of the management, which might lead to additional tax burden, related penalties and interest payments. Tax authorities in Kazakhstan maintain the right to inspect the accounts for the past five fiscal years.

e) Yeni Gimat İşyerleri İşletmesi A.Ş. (“Yeni Gimat”) has filed an action of debt regarding the claim of rent difference of the immovable rented to Migros Ticaret amounting TL 38.583 which covers the period from 14 June 2001 to the date of trial, 12 June 2009.

Although the mentioned case concluded in favor of the Company on 3 October 2012, the claimant requested an appeal and the Company introduced its petition of appeal to the court. The decision was approved by the Supreme Court on 3 July 2013, the case ended in favor of the Company. The claimant re-requested an appeal on 23 October 2013, the Supreme Court denied the secondary request.

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NOTE 12 – PROVISION FOR EMPLOYEE BENEFITS

	31 March 2014	31 December 2013
Provision for unused vacation	56.095	52.577
Provision for employee termination benefits	47.321	43.954
	103.416	96.531

Movement of unused vacation provision is as follows:

1 January 2013	42.865
Increase during the period	4.895
Payments during the period	(1.529)
31 March 2013	46.231
1 January 2014	52.577
Increase during the period	5.539
Payments during the period	(2.021)
31 March 2014	56.095

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

1 January 2013	35.834
Increase during the period	7.495
Payments during the period	(4.756)
31 March 2013	38.573
1 January 2014	43.954
Increase during the period	9.717
Payments during the period	(6.350)
31 March 2014	47.321

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NOTE 13 - REVENUE

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

	1 January - 31 March 2014	1 January - 31 March 2013
Domestic sales	1.702.141	1.537.591
Foreign sales	116.236	97.471
	1.818.377	1.635.062
Other sales	3.856	2.753
	1.822.233	1.637.815
Less: Discounts and returns	(49.732)	(47.137)
Sales revenue - net	1.772.501	1.590.678
Cost of sales	(1.295.237)	(1.168.635)
Gross Profit	477.264	422.043
	1 January - 31 March 2014	1 January - 31 March 2013
Retail sales revenue	1.763.550	1.583.379
Rent income	17.751	17.110
Wholesale revenue	37.076	34.573
	1.818.377	1.635.062

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NOTE 14 - EXPENSES BY NATURE

Total	1 January - 31 March 2014	1 January - 31 March 2013
Staff costs	169.398	147.897
Rent	92.507	78.933
Porterage and cleaning	11.151	10.119
Transportation	17.727	16.812
Depreciation and amortisation	38.411	34.914
Energy	24.406	24.321
Advertising	13.251	8.006
Repair and maintenance	6.163	5.392
Security	4.946	4.304
Warehouse	10.908	9.336
Taxes and other fees	2.086	2.348
Mechanisation	3.992	4.625
Communication	2.026	1.661
Other	16.706	14.644
	413.678	363.312

Marketing, selling and distribution expenses	1 January - 31 March 2014	1 January - 31 March 2013
Staff costs	147.895	127.636
Rent	92.366	78.804
Porterage and cleaning	10.777	9.786
Transportation	17.718	16.803
Energy	24.156	24.053
Advertising	13.251	8.006
Repair and maintenance	6.046	5.260
Security	4.765	4.127
Warehouse	10.908	9.336
Taxes and other fees	1.855	1.993
Mechanisation	3.500	3.881
Communication	1.609	1.375
Other	13.703	11.730
	348.549	302.790

General administrative expenses	1 January - 31 March 2014	1 January - 31 March 2013
Staff costs	21.503	20.261
Depreciation and amortisation	38.411	34.914
Other	5.215	5.347
	65.129	60.522

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NOTE 14 - EXPENSES BY NATURE (Continued)

Expenses by nature in cost of sales for the periods 1 January – 31 March 2014 and 2013 are as follows:

	1 January - 31 March 2014	1 January - 31 March 2013
Cost of goods sold	(1.288.321)	(1.162.052)
Cost of services rendered	(6.916)	(6.583)
	(1.295.237)	(1.168.635)

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 / EXPENSES

Other operating income:	1 January - 31 March 2014	1 January - 31 March 2013
Interest income on term sales	8.676	4.702
Interest income from operating activities	5.710	2.925
Gain on sales of scrap goods	30	282
Gain on damage insurance	298	148
Litigation provisions	756	-
Provision write-off	166	60
Other	397	868
	16.033	8.985

Other operating expense:	1 January - 31 March 2014	1 January - 31 March 2013
Interest expense on term purchases	(27.778)	(15.369)
Bad debt provision expense	(717)	(2.745)
Litigation provisions	-	(2.736)
Losses from prior period rent differences	(452)	(1.608)
Other	(3.446)	(1.407)
	(32.393)	(23.865)

NOTE 16 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities:	1 January - 31 March 2014	1 January - 31 March 2013
Gain on sale of property, plant and equipment	338	217
	338	217

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NOTE 16 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES (Continued)

	1 January - 31 March 2014	1 January - 31 March 2013
Expenses from investing activities:		
Losses from closed stores	(426)	(2.984)
Loss on sale of property, plant and equipment	(650)	(108)
	(1.076)	(3.092)

NOTE 17 - FINANCIAL INCOME

	1 January - 31 March 2014	1 January - 31 March 2013
Interest income on bank deposits	3.194	3.052
Foreign exchange gains	12.661	34.385
Financial income on derivatives	-	1.147
	15.855	38.584

NOTE 18 - FINANCIAL EXPENSES

	1 January - 31 March 2014	1 January - 31 March 2013
Foreign exchange losses	(72.662)	(5.723)
Interest expense on bank borrowings	(33.845)	(27.487)
Financial expense on derivatives	(2.181)	(2.370)
Other	(1.785)	(1.342)
	(110.473)	(36.922)

NOTE 19 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

	31 March 2014	31 December 2013
Taxes and fund payable	16.418	70.938
Less: Prepaid current income taxes	(1.201)	(52.611)
Taxes on income, net	15.217	18.327
	31 March 2014	31 December 2013
Deferred tax assets	32.446	28.555
Deferred tax liabilities	(144.451)	(143.412)
Deferred tax liabilities, net	(112.005)	(114.857)

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NOTE 19 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

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 consolidated financial statements, have been calculated on a separate-entity basis.

In Turkey, corporation tax rate as of 31 March 2014 is 20% (2013: 20%).

Implied corporation tax rates in Kazakhstan, Bulgaria and Macedonia are 20%, 10% and 10% respectively (31 December 2013: 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 2014. 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.

The details of taxation on income for the periods ended 31 March 2014 and 2013 are as follows:

	1 January - 31 March 2014	1 January - 31 March 2013
Current period tax expense	(16.418)	(9.568)
Deferred tax expense	3.324	1.820
	(13.094)	(7.748)

Income withholding 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. 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 2013: 20%, 20%, 10% and 10% respectively).

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NOTE 19 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

Deferred income tax (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 2014 and 31 December 2013 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax asset / (liability)	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Fair value change of derivative instruments	2.770	869	554	174
Short term provisions	77.259	75.007	15.452	15.002
Inventories	20.763	16.781	4.153	3.356
Provision for employment termination benefits	47.321	43.954	9.464	8.791
Unincurred interest income	269	201	54	40
Other	13.846	5.959	2.769	1.192
Deferred income tax assets			32.446	28.555
Fair value change of derivative instruments	(669)	(949)	(134)	(190)
Property, plant and equipment and intangible assets	(733.321)	(734.964)	(139.552)	(139.482)
Unincurred interest expense	(20.511)	(15.186)	(4.102)	(3.037)
Other	(3.316)	(3.514)	(663)	(703)
Deferred income tax liability			(144.451)	(143.412)
Total deferred income tax liability, net			(112.005)	(114.857)
			31 March 2014	31 December 2013
Deferred income tax assets:				
Deferred income tax asset to be recovered after more than 12 months			9.802	8.965
Deferred income tax asset to be recovered within 12 months			22.644	19.590
			32.446	28.555
Deferred income tax liabilities:				
Deferred income tax liability to be settled after more than 12 months			(140.190)	(140.216)
Deferred income tax liability to be settled within 12 months			(4.261)	(3.196)
			(144.451)	(143.412)
Deferred tax liabilities, net			(112.005)	(114.857)

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NOTE 19 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

Deferred income tax (continued)

1 January 2013	(106.618)
Deferred tax income from continuing operations	1.820
Cumulative translation difference	(574)
31 March 2013	(105.372)
1 January 2014	(114.857)
Deferred tax expense from continuing operations	3.324
Cumulative translation difference	(472)
31 March 2014	(112.005)

NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Share Capital

As of 31 March 2014 the Company’s authorised capital consists of 17.803.000.000 shares at 1 shares of KR 1 nominal value. All shares are paid-in and no privileges are given to different share groups and shareholders.

The shareholders of the Company and their shareholdings stated at historical amounts at 31 March 2014 and 31 December 2013 are stated below:

Shareholders	31 March 2014		31 December 2013	
	Share %	Amount	Share %	Amount
MH Perakendecilik ve Ticaret A.Ş.	80,51	143.323	80,51	143.323
Other	19,49	34.707	19,49	34.707
	100,00	178.030	100,00	178.030

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.

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NOTE 21 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(i) Balances with related parties

	31 March 2014	31 December 2013
Due from related parties		
Mavi Jeans Giyim Sanayi ve Tic. A.Ş.	30	18
Tekin Acar Büyük Mağazacılık T.A.Ş.	8	6
Provus Bilişim Hizmetleri A.Ş.	1	1
Sanal Merkez T.A.Ş.	-	30
Total due from related parties	39	55

	31 March 2014	31 December 2013
Due to related parties		
Natura Gıda San. Tic. ve A.Ş.	758	648
Other	87	86
Total due to related parties	845	734

ii) Other transactions with related parties

	1 January - 31 March 2014	1 January - 31 March 2013
Inventory purchases		
Natura Gıda San. Tic. ve A.Ş.	342	206
	342	206

	1 January - 31 March 2014	1 January - 31 March 2013
Rent income	300	272
Other income	51	-
	351	272

iii) 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 2014 and 2013 is as follows:

	1 January - 31 March 2014	1 January - 31 March 2013
Short-term benefits to employees	3.530	2.019
	3.530	2.019

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

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NOTE 22 - EARNINGS / (LOSSES) PER SHARE

	1 January - 31 March 2014	1 January - 31 March 2013
Net (loss) / income attributable to the shareholders	(61.237)	34.872
Weighted average number of sales with Kr1 face value each ('000)	17.803.000	17.803.000
(Losses) earnings per share (Kr)	(0,34)	0,20

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 2014, 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 TL 132.772.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014**

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

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

FOREIGN CURRENCY POSITION

	31 March 2014				31 December 2013			
	Total TL equivalent	USD	EURO	Other TL equivalent	Total TL equivalent	USD	EURO	Other TL equivalent
Trade receivables	7.653	391	27	6.716	7.701	374	27	6.823
Monetary financial assets	426.840	11.367	127.622	18.164	391.178	4.917	123.169	18.998
Other	11.892	1.178	218	8.657	12.494	1.214	-	9.903
Current assets	446.385	12.936	127.867	33.537	411.373	6.505	123.196	35.724
Other	229	105	-	-	203	95	-	-
Non-current assets	229	105	-	-	203	95	-	-
Total Assets	446.614	13.041	127.867	33.537	411.576	6.600	123.196	35.724
Trade payables	11.618	660	198	9.578	17.481	1.039	147	14.831
Financial liabilities	537.408	-	178.707	-	491.973	-	167.537	-
Non-monetary other liabilities	7.530	437	-	6.573	8.783	1.694	-	5.167
Current liabilities	556.556	1.097	178.905	16.151	518.237	2.733	167.684	19.998
Financial liabilities	2.499.330	-	831.115	-	2.440.568	-	831.115	-
Non-monetary other liabilities	2.634	-	876	-	2.593	-	883	-
Non-current liabilities	2.501.964	-	831.991	-	2.443.161	-	831.998	-
Total liabilities	3.058.520	1.097	1.010.896	16.151	2.961.398	2.733	999.682	19.998

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 23 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

FOREIGN CURRENCY POSITION

	31 March 2014				31 December 2013			
	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	(2.611.906)	11.944	(883.029)	17.386	(2.549.822)	3.867	(876.486)	15.726
Net foreign currency asset / (liability) position of monetary items	(2.613.863)	11.098	(882.371)	15.302	(2.551.143)	4.252	(875.603)	10.990
Fair value of hedged funds of foreign currency	(421)	-	-	-	870	-	-	-
Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedged amount of foreign currency liabilities	54.130	-	18.000	-	17.619	-	6.000	-
Export	-	-	-	-	-	-	-	-
Import	22.624	10.222	-	-	78.314	41.080	-	-

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)
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NOTE 23 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

31 March 2014

	Gain / Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
5% change in Euro Exchange rate		
Euro net asset / liability	(132.772)	132.772
Portion secured from Euro risk	-	-
Euro net effect	(132.772)	132.772

31 December 2013

	Gain / Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
5% change in Euro Exchange rate		
Euro net asset / liability	(128.690)	128.690
Portion secured from Euro risk	-	-
Euro net effect	(128.690)	128.690

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).

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

None