

**MİGROS TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**CONVENIENCE TRANSLATION
INTO ENGLISH OF
CONDENSED INTERIM
CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE INTERIM PERIOD
1 JANUARY – 30 JUNE 2014**

(ORIGINALLY ISSUED IN TURKISH)

**REPORT ON REVIEW OF CONDENSED *CONSOLIDATED* INTERIM
FINANCIAL INFORMATION**

To the Board of Directors of Migros Ticaret A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Migros Ticaret A.Ş. and its subsidiaries (together will be referred as the “Group”) as of 30 June 2014 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Gaye Şentürk
Partner

İstanbul, 19 August 2014

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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 30 JUNE 2014**

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

	Notes	Reviewed 30 June 2014	Audited 31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents		943.575	1.038.329
Financial investments		2.123	9.726
Trade receivables		59.858	48.395
- Due from related parties	21	32	55
- Other trade receivables		59.826	48.340
Other receivables		3.786	1.050
- Other receivables		3.786	1.050
Derivative financial instruments	4	168	879
Inventories	8	957.581	851.243
Prepaid expenses		30.821	28.635
Other current assets		1.803	2.470
Total current assets		1.999.715	1.980.727
Non-current assets			
Financial investments		1.695	1.695
Other receivables		1.430	1.434
Derivative financial instruments	4	-	70
Investment properties	5	42.419	46.267
Property, plant and equipment	6	1.232.996	1.233.665
Intangible assets		2.500.432	2.501.008
- Goodwill	9	2.251.427	2.251.427
- Other intangible assets	7	249.005	249.581
Prepaid expenses		26.278	31.769
Total non-current assets		3.805.250	3.815.908
Total assets		5.804.965	5.796.635

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

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CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL POSITION AT 30 JUNE 2014**

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

	Notes	Reviewed 30 June 2014	Audited 31 December 2013
LIABILITIES			
Current liabilities			
Short term portion of the long term borrowings	10	483.525	491.973
Trade payables		1.955.486	1.685.963
- Due to related parties	21	2.155	734
- Other trade payables		1.953.331	1.685.229
Employee benefit obligations		46.808	34.909
Other payables		4.035	2.574
- Other payables		4.035	2.574
Derivative financial instruments	4	705	-
Deferred income		2.297	3.612
Taxes on income	19	4.266	18.327
Short term provisions		80.872	75.007
- Short term provisions for employee benefits	12	60.442	52.577
- Other short term provisions	11	20.430	22.430
Other current liabilities		37.423	48.304
Total current liabilities		2.615.417	2.360.669
Non-current liabilities			
Long term borrowings	10	2.166.607	2.440.568
Other payables		2.839	3.244
- Other payables		2.839	3.244
Derivative financial instruments	4	2.046	869
Deferred income		1.785	2.250
Long term provisions		51.666	43.954
- Long term provisions for employee benefits	12	51.666	43.954
Deferred income tax liabilities	19	110.886	114.857
Total non-current liabilities		2.335.829	2.605.742
EQUITY			
Attributable to equity holders of the parent		853.017	829.533
Share capital	20	178.030	178.030
Other capital reserves		(365)	(365)
Additional contribution to	20	27.312	27.312
Share premium		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		22.578	41.122
Restricted reserves		385.856	385.856
Retained earnings		(467.816)	(4.641)
Net income / (loss) for the period		42.028	(463.175)
Non-controlling interest		702	691
Total equity		853.719	830.224
Total liabilities and equity		5.804.965	5.796.635

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2014**

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

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

	Notes	Reviewed 1 January - 30 June 2014	Not Reviewed 1 April - 30 June 2014	Reviewed 1 January - 30 June 2013	Not Reviewed 1 April - 30 June 2013
PROFIT OR LOSS					
Revenue	3,13	3.737.696	1.965.195	3.311.195	1.720.517
Cost of sales (-)	3,13	(2.742.440)	(1.447.203)	(2.433.256)	(1.264.621)
GROSS PROFIT	3,13	995.256	517.992	877.939	455.896
General administrative expenses (-)	14	(131.647)	(66.518)	(121.965)	(61.443)
Marketing, selling and distribution expenses (-)	14	(730.803)	(382.254)	(640.816)	(338.026)
Other operating income	15	29.796	13.763	26.284	17.299
Other operating expenses (-)	15	(69.154)	(36.761)	(45.965)	(22.100)
OPERATING PROFIT	3	93.448	46.222	95.477	51.626
Income from investment activities	16	637	299	754	537
Expenses from investment activities (-)	16	(2.754)	(1.678)	(5.042)	(1.950)
OPERATING INCOME BEFORE FINANCE EXPENSES/INCOME	3	91.331	44.843	91.189	50.213
Financial income	17	54.022	38.167	45.292	6.708
Financial expenses (-)	18	(84.367)	26.106	(236.032)	(199.110)
NET INCOME / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	3	60.986	109.116	(99.551)	(142.189)
Tax expense from continuing operations	19	(18.943)	(5.849)	(26.360)	(18.612)
- Income tax expense	19	(21.492)	(5.074)	(24.933)	(15.365)
- Deferred tax expense	19	2.549	(775)	(1.427)	(3.247)
NET INCOME / (LOSS) FROM CONTINUING OPERATIONS		42.043	103.267	(125.911)	(160.801)
NET INCOME / (LOSS)		42.043	103.267	(125.911)	(160.801)
Net income / (loss) attributable to:					
- Non-controlling interest		15	2	27	9
- Equity holders of the parent		42.028	103.265	(125.938)	(160.810)
		42.043	103.267	(125.911)	(160.801)
Earning / (loss) per share	22	0,24	0,58	(0,71)	(0,90)

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

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ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2014**

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

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

	Reviewed 1 January - 30 June 2014	Not Reviewed 1 April - 30 June 2014	Reviewed 1 January - 30 June 2013	Not Reviewed 1 April - 30 June 2013
Net profit / (loss) for the period	42.043	103.267	(125.911)	(160.801)
OTHER COMPREHENSIVE INCOME / (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences	(18.548)	(4.719)	11.928	11.954
Other comprehensive (loss) / income	(18.548)	(4.719)	11.928	11.954
Total comprehensive income / (loss)	23.495	98.548	(113.983)	(148.847)
Total comprehensive income / (loss) attributable to:				
- Non-controlling interest	11	(20)	87	45
- Equity holders of the parent	23.484	98.568	(114.070)	(148.892)
	23.495	98.548	(113.983)	(148.847)

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

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 – 30 JUNE 2014**

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

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

					Items that may be reclassified subsequently to profit or loss	Items that will not be reclassified subsequently to profit or loss		Retained earnings				
	Share capital	Other capital reserves	Share premium	Additional contribution to equity related to merger	Cumulative translation differences	Defined benefit plans, re-measurement gains / (losses)	Restricted reserves	Accumulated / (losses) / profit	Net income (loss) for the period	Attributable to owners of the parent	Non- controlling interest	Total equity
Balances at 1 January 2013	178.030	(365)	678.233	27.312	10.973	(13.844)	385.856	(92.704)	88.063	1.261.554	522	1.262.076
Transfers	-	-	-	-	-	-	-	88.063	(88.063)	-	-	-
Total comprehensive income	-	-	-	-	11.868	-	-	-	(125.938)	(114.070)	87	(113.983)
Balances at 30 June 2013	178.030	(365)	678.233	27.312	22.841	(13.844)	385.856	(4.641)	(125.938)	1.147.484	609	1.148.093
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	-	-	-	-	(18.544)	-	-	-	42.028	23.484	11	23.495
Balances at 30 June 2014	178.030	(365)	678.233	27.312	22.578	(12.839)	385.856	(467.816)	42.028	853.017	702	853.719

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CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2014**

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

	Notes	Reviewed 1 January - 30 June 2014	Reviewed 1 January - 30 June 2013
A. Cash flows from operating activities			
Income / (loss) for the period		42.043	(125.911)
Adjustments for reconciliation of profit / (loss) before taxation			
Adjustments for depreciation and amortisation	14	77.378	69.464
Adjustments for provision for employment termination benefits	12	17.248	14.176
Adjustments for provision for unused vacation	12	11.773	9.352
Adjustments for provision for litigation	11	(257)	2.777
Adjustments for doubtful receivable provision	15	1.670	3.893
Adjustments for income tax expense / income	19	18.943	26.360
Interest income	15,17	(33.189)	(20.873)
Interest expense	15,18	125.790	89.624
Adjustments for unrecognized foreign exchange differences		(48.048)	159.711
Adjustments for fair value losses	17,18	6.657	(2.206)
Adjustments for (loss) / gain on sale of property, plant and equipment	16	691	(406)
Adjustments for impairment / reversal of property, plant and equipment	16	1.426	4.694
		222.125	230.655
Changes in working capital			
Adjustments for increase / decrease in inventories		(106.338)	(87.103)
Adjustments for increase / decrease in trade receivables		(13.133)	(13.648)
Adjustments for increase / decrease in other receivables related with operations		1.240	(14.475)
Adjustments for increase / decrease in trade payables		269.523	240.753
Adjustments for increase / decrease in other payables related with operations		294	16.101
		373.711	372.283
Cash flows from operating activities			
Employment termination benefits paid	12	(9.536)	(7.882)
Unused vacation paid	12	(3.908)	(2.573)
Interest received		27.852	15.724
Interest paid		(61.904)	(32.479)
Taxes paid / return	19	(35.553)	(20.077)
Compensations paid	11	(1.743)	(3.309)
		288.919	321.687

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

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CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2014**

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

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

	Notes	Reviewed 1 January - 30 June 2014	Reviewed 1 January - 30 June 2013
B. Cash flows from investing activities			
Cash inflows from the sale of tangible and intangible assets	5, 6, 7, 16	1.198	881
Cash outflows from the purchase of tangible and intangible assets	5, 6, 7	(87.770)	(95.276)
		(86.572)	(94.395)
C. Cash flows from financing activities			
Cash outflows due to debt repayments		(233.172)	(134.891)
Cash paid with respect due to derivative instruments		(3.995)	(15.873)
Interest received		5.337	5.149
Interest paid		(65.075)	(57.457)
Adjustments for increase / decrease in financial investments		7.603	-
		(289.302)	(203.072)
D. Impact of foreign currency translation differences on cash and cash equivalents			
		(7.799)	6.279
Net increase / (decrease) in cash and cash equivalents		(94.754)	30.499
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		943.575	1.071.366

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

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

MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 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 30 June 2014, the Group operates 1.079 stores (31 December 2013: 1.004) with a net retail space of 922.874 (31 December 2013: 897.119) square meters. Retail is the main business of the Group and constitutes 96,9% of gross sales (June 2013: 96,9%).

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 19 August 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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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 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>June 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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MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 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)**

2.2 Changes in the Accounting Policies

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

The Group has prepared the consolidated financial statements in accordance with Turkish Accounting Standard No: 34 “Interim Financial Reporting”. The Group’s significant accounting policies that are used for the preparation of condensed consolidated financial statements as of 30 June 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.

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.

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

2.4 New and Revised Turkish Accounting Standards (cont’d)

- b) New and Revised TFRSs effective since the year 2014 with no material effect on financial statements with amendments and interpretations on current TFRSs. (cont’d)**

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.

- 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 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 30 June 2014 is as follows:

a) Segment analysis for the period 1 January - 30 June 2014

	Turkey	Other countries	Combined total	Intersegment elimination	Total
External revenues	3.520.766	216.930	3.737.696	-	3.737.696
Inter segment revenues	4.313	-	4.313	(4.313)	-
Sales revenue	3.525.079	216.930	3.742.009	(4.313)	3.737.696
Cost of goods sold	(2.583.546)	(163.207)	(2.746.753)	4.313	(2.742.440)
Gross profit	941.533	53.723	995.256	-	995.256
Selling and marketing expenses	(698.315)	(32.488)	(730.803)	-	(730.803)
General administrative expenses	(113.728)	(17.919)	(131.647)	-	(131.647)
Addition: Depreciation and amortization	67.356	10.027	77.383	-	77.383
Addition: Provision for employment termination benefits	7.712	-	7.712	-	7.712
Addition: Termination benefits paid	9.536	-	9.536	-	9.536
Addition: Unused vacation provision	7.865	-	7.865	-	7.865
EBITDA	221.959	13.343	235.302	-	235.302
Addition: Rent expenses	181.240	9.845	191.085	-	191.085
EBITDAR	403.199	23.188	426.387	-	426.387

b) Segment analysis for the period 1 January – 30 June 2013

	Turkey	Other countries	Combined total	Intersegment elimination	Total
External revenues	3.121.177	190.018	3.311.195	-	3.311.195
Inter segment revenues	1.954	-	1.954	(1.954)	-
Sales revenue	3.123.131	190.018	3.313.149	(1.954)	3.311.195
Cost of goods sold	(2.293.819)	(141.391)	(2.435.210)	1.954	(2.433.256)
Gross profit	829.312	48.627	877.939	-	877.939
Selling and marketing expenses	(613.800)	(27.016)	(640.816)	-	(640.816)
General administrative expenses	(106.494)	(15.471)	(121.965)	-	(121.965)
Addition: Depreciation and amortization	61.007	8.457	69.464	-	69.464
Addition: Provision for employment termination benefits	6.294	-	6.294	-	6.294
Addition: Termination benefits paid	7.882	-	7.882	-	7.882
Addition: Unused vacation provision	6.779	-	6.779	-	6.779
EBITDA	190.980	14.597	205.577	-	205.577
Addition: Rent expenses	155.081	8.142	163.223	-	163.223
EBITDAR	346.061	22.739	368.800	-	368.800

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NOTE 3 - SEGMENT REPORTING (Continued)

c) Segment analysis for the period 1 April – 30 June 2014

	Turkey	Other countries	Combined total	Intersegment elimination	Total
External revenues	1.864.723	100.472	1.965.195	-	1.965.195
Inter segment revenues	3.219	-	3.219	(3.219)	-
Sales revenue	1.867.942	100.472	1.968.414	(3.219)	1.965.195
Cost of goods sold	(1.375.045)	(75.377)	(1.450.422)	3.219	(1.447.203)
Gross profit	492.897	25.095	517.992	-	517.992
Selling and marketing expenses	(367.089)	(15.165)	(382.254)	-	(382.254)
General administrative expenses	(57.851)	(8.667)	(66.518)	-	(66.518)
Addition: Depreciation and amortization	33.990	4.982	38.972	-	38.972
Addition: Provision for employment termination benefits	4.345	-	4.345	-	4.345
Addition: Termination benefits paid	3.186	-	3.186	-	3.186
Addition: Unused vacation provision	4.347	-	4.347	-	4.347
EBITDA	113.825	6.245	120.070	-	120.070
Addition: Rent expenses	93.827	4.751	98.578	-	98.578
EBITDAR	207.652	10.996	218.648	-	218.648

d) Segment analysis for the period 1 April – 30 June 2013

	Turkey	Other countries	Combined total	Intersegment elimination	Total
External revenues	1.627.979	92.538	1.720.517	-	1.720.517
Inter segment revenues	1.405	-	1.405	(1.405)	-
Sales revenue	1.629.384	92.538	1.721.922	(1.405)	1.720.517
Cost of goods sold	(1.197.880)	(68.146)	(1.266.026)	1.405	(1.264.621)
Gross profit	431.504	24.392	455.896	-	455.896
Selling and marketing expenses	(324.649)	(13.377)	(338.026)	-	(338.026)
General administrative expenses	(53.885)	(7.558)	(61.443)	-	(61.443)
Addition: Depreciation and amortization	30.345	4.205	34.550	-	34.550
Addition: Provision for employment termination benefits	3.555	-	3.555	-	3.555
Addition: Termination benefits paid	3.126	-	3.126	-	3.126
Addition: Unused vacation provision	3.413	-	3.413	-	3.413
EBITDA	93.409	7.662	101.071	-	101.071
Addition: Rent expenses	80.229	4.061	84.290	-	84.290
EBITDAR	173.638	11.723	185.361	-	185.361

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NOTE 3 - SEGMENT REPORTING (Continued)

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

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
EBITDAR, reported segments	426.387	218.648	368.800	185.361
Rent expenses	(191.085)	(98.578)	(163.223)	(84.290)
EBITDA, reported segments	235.302	120.070	205.577	101.071
Depreciation and amortisation	(77.383)	(38.972)	(69.464)	(34.550)
Provision for employment termination benefits	(7.712)	(4.345)	(6.294)	(3.555)
Termination benefits paid	(9.536)	(3.186)	(7.882)	(3.126)
Unused vacation provision	(7.865)	(4.347)	(6.779)	(3.413)
Other operating income	29.796	13.763	26.284	17.299
Other operating expenses(-)	(69.154)	(36.761)	(45.965)	(22.100)
Operating profit	93.448	46.222	95.477	51.626
Income from investing activities	637	299	754	537
Expenses from investing activities (-)	(2.754)	(1.678)	(5.042)	(1.950)
Operating profit before finance (expense) / income	91.331	44.843	91.189	50.213
Financial income	54.022	38.167	45.292	6.708
Financial expenses(-)	(84.367)	26.106	(236.032)	(199.110)
Income / (loss) before tax	60.986	109.116	(99.551)	(142.189)

NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS

Short term derivative financial instruments

	30 June 2014	31 December 2013
Current assets		
Cap option	-	9
Forward foreign exchange contracts	168	870
	168	879

	30 June 2014	31 December 2013
Current liabilities		
Forward foreign exchange contracts	705	-
	705	-

Long term derivative financial instruments

	30 June 2014	31 December 2013
Non-current assets		
Cap option	-	70
	-	70

	30 June 2014	31 December 2013
Non-current liabilities		
Interest rate swap contracts	2.046	869
	2.046	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 30 June 2014 are as follows:

	EURO Amount to be purchased	TL Amount to be sold	Fair Value (TL)
Forward foreign exchange contracts	14.000	42.083	(537)

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 30 June 2014 and 31 December 2013 are as follows:

30 June 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	-
					-

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	2.046
					2.046

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NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

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NOTE 5 - INVESTMENT PROPERTY

	Opening 1 January 2014	Additions	Disposals	Cumulative translation differences	Closing 30 June 2014
<u>Cost</u>					
Land and buildings	76.364	-	-	(2.274)	74.090
<u>Accumulated depreciation</u>					
Buildings	(30.097)	(1.885)	-	311	(31.671)
Net book value	46.267				42.419
	Opening 1 January 2013	Additions	Disposals	Cumulative translation differences	Closing 30 June 2013
<u>Cost</u>					
Land and buildings	70.589	-	-	1.858	72.447
<u>Accumulated depreciation</u>					
Buildings	(24.812)	(2.057)	-	(310)	(27.179)
Net book value	45.777				45.268

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 30 June 2014, total investment property of Kazakhstan and Macedonia are 6.874 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 30 June 2014.

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NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2014	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	Closing 30 June 2014
Cost							
Land and buildings	481.229	1.835	-	-	70	(5.969)	477.165
Leasehold improvements	494.845	10.898	-	(7.891)	6.681	(4.209)	500.324
Machinery and equipments	476.977	18.215	(9.276)	-	14.055	(5.543)	494.428
Vehicles	1.675	703	(106)	-	-	(79)	2.193
Furniture and fixture	244.092	11.732	(2.123)	-	4.384	(1.613)	256.472
Construction in progress	5.185	36.798	(123)	-	(25.190)	-	16.670
	1.704.003	80.181	(11.628)	(7.891)	-	(17.413)	1.747.252
Accumulated depreciation							
Buildings	(49.940)	(4.798)	-	-	-	1.773	(52.965)
Leasehold improvements	(189.289)	(23.409)	-	6.465	-	2.608	(203.625)
Machinery and equipments	(153.050)	(27.473)	8.179	-	-	2.978	(169.366)
Vehicles	(837)	(179)	98	-	-	-	(918)
Furniture and fixture	(77.222)	(11.938)	1.542	-	-	236	(87.382)
	(470.338)	(67.797)	9.819	6.465	-	7.595	(514.256)
Net book value	1.233.665						1.232.996

(*) Impairment loss amounting to net TL 1.426 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 30 June 2013
Cost							
Land and buildings	454.807	1.279	-	-	10.268	3.155	469.509
Leasehold improvements	455.539	13.165	-	(9.244)	5.175	1.556	466.191
Machinery and equipments	387.090	23.380	(3.474)	-	12.266	2.124	421.386
Vehicles	1.587	58	(31)	-	-	45	1.659
Furniture and fixture	197.522	13.319	(670)	-	3.880	920	214.971
Construction in progress	8.172	37.823	-	-	(31.589)	-	14.406
	1.504.717	89.024	(4.175)	(9.244)	-	7.800	1.588.123
Accumulated depreciation							
Buildings	(38.405)	(4.443)	-	-	-	(728)	(43.576)
Leasehold improvements	(156.426)	(21.626)	-	4.550	-	(536)	(174.038)
Machinery and equipments	(109.559)	(24.040)	3.080	-	-	(984)	(131.503)
Vehicles	(619)	(127)	25	-	-	(11)	(732)
Furniture and fixture	(57.366)	(9.522)	595	-	-	(734)	(67.027)
	(362.375)	(59.758)	3.700	4.550	-	(2.993)	(416.876)
Net book value	1.142.342						1.171.246

(*) Impairment loss amounting to net TL 4.694 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 30 June 2014
Cost					
Trademark (*)	202.175	-	-	-	202.175
Rent agreements (**)	32.982	-	-	-	32.982
Rights	55.542	7.589	(154)	(573)	62.404
Other intangible assets (***)	28.783	-	-	-	28.783
	319.482	7.589	(154)	(573)	326.344
Accumulated amortisation					
Rent agreements	(26.202)	(1.100)	-	-	(27.302)
Rights	(27.739)	(5.089)	74	183	(32.571)
Other intangible assets	(15.960)	(1.506)	-	-	(17.466)
	(69.901)	(7.695)	74	183	(77.339)
Net book value	249.581				249.005

	Opening 1 January 2013	Additions	Disposals	Cumulative translation difference	Closing 30 June 2013
Cost					
Trademark (*)	202.175	-	-	-	202.175
Rent agreements (**)	32.982	-	-	-	32.982
Rights	41.893	6.252	(2.504)	(10)	45.631
Other intangible assets (***)	28.783	-	-	-	28.783
	305.833	6.252	(2.504)	(10)	309.571
Accumulated amortisation					
Rent agreements	(23.449)	(1.376)	-	-	(24.825)
Rights	(21.045)	(4.613)	2.504	95	(23.059)
Other intangible assets	(12.829)	(1.660)	-	-	(14.489)
	(57.323)	(7.649)	2.504	95	(62.373)
Net book value	248.510				247.198

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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, Tekirdağ and Çengelköy stores, with a total sales area of 13.000 square meters, from Hamoğlu 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

	30 June 2014	31 December 2013
Raw materials	5.533	673
Work in progress	10.894	5.703
Merchandise stocks	938.747	842.339
Other	2.407	2.528
	957.581	851.243

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

NOTE 9 – GOODWILL

	1 January - 30 June 2014	1 January - 30 June 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

	30 June 2014		
	Weighted average interest rate	Euro	Total TL equivalent
Current portion of long-term bank borrowings			
- with fixed interest rates	2,00%	128	370
- with floating interest rates	4,35%	167.072	483.155
Total current bank borrowings		167.200	483.525
Non-current bank borrowings			
- with fixed interest rates	2,00%	248	717
- with floating interest rates	4,35%	748.950	2.165.890
Total non-current bank borrowings		749.198	2.166.607
Total financial liabilities		916.398	2.650.132

The redemption schedule of long-term bank borrowings with TL equivalents at 30 June 2014 is as follows:

	Euro	TL
1 July 2015 - 30 June 2016	234.171	677.199
1 July 2016 - 30 June 2017	234.171	677.199
1 July 2017 - 31 May 2018	280.856	812.209
	749.198	2.166.607

The fair value of bank borrowings at 30 June 2014 is TL 2.638.622.

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 30 June 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.

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NOTE 11 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

	30 June 2014	31 December 2013
Provision for litigation	20.430	22.430
Total current provisions	20.430	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	2.777
Payments during the period	(3.309)
30 June 2013	21.338
1 January 2014	22.430
Decrease during the period	(257)
Payments during the period	(1.743)
30 June 2014	20.430

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

a) Guarantees given as at 30 June 2014 and 31 December 2013 are as follows:

Collaterals, Pledges, Mortgages:

30 June 2014				
Collaterals, Pledges, Mortgages:	Total			
	TL Amount	TL	USD	Euro
A. CPM given on behalf of the Company's legal personality	83.912	82.782	498	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	83.912	82.782	498	25

Proportion of other CPM's to equity **0,0%**

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 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014	31 December 2013
Letter of guarantees given	83.912	74.024

b) Guarantees received at 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014	31 December 2013
Guarantees obtained from customers	97.010	100.338
Mortgages obtained from customers	19.034	19.116
	116.044	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.

	30 June 2014	31 December 2013
Payable within 1 year	24.054	26.284
Payable in 1 to 5 years	9.691	10.703
5 years and more	1.799	2.282
	35.544	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

	30 June 2014	31 December 2013
Provision for unused vacation	60.442	52.577
Provision for employee termination benefits	51.666	43.954
	112.108	96.531

Movement of unused vacation provision is as follows:

1 January 2013	42.865
Increase during the period	9.352
Payments during the period	(2.573)
30 June 2013	49.644
1 January 2014	52.577
Increase during the period	11.773
Payments during the period	(3.908)
30 June 2014	60.442

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

1 January 2013	35.834
Increase during the period	14.176
Payments during the period	(7.882)
30 June 2013	42.128
1 January 2014	43.954
Increase during the period	17.248
Payments during the period	(9.536)
30 June 2014	51.666

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NOTE 13 - REVENUE

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

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Domestic sales	3.622.230	1.920.089	3.212.431	1.674.840
Foreign sales	216.403	100.167	189.719	92.248
	3.838.633	2.020.256	3.402.150	1.767.088
Other sales	6.460	2.604	5.235	2.482
	3.845.093	2.022.860	3.407.385	1.769.570
Less: Discounts and returns	(107.397)	(57.665)	(96.190)	(49.053)
Sales revenue - net	3.737.696	1.965.195	3.311.195	1.720.517
Cost of sales	(2.742.440)	(1.447.203)	(2.433.256)	(1.264.621)
Gross Profit	995.256	517.992	877.939	455.896
	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Retail sales revenue	3.718.345	1.954.795	3.298.164	1.714.785
Rent income	34.232	16.481	33.906	16.796
Wholesale revenue	86.056	48.980	70.080	35.507
	3.838.633	2.020.256	3.402.150	1.767.088

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NOTE 14 - EXPENSES BY NATURE

Total	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Staff costs	353.977	184.579	313.042	165.145
Rent	191.085	98.578	163.223	84.290
Porterage and cleaning	23.977	12.826	20.934	10.815
Transportation	37.655	19.928	35.519	18.707
Depreciation and amortisation	77.378	38.967	69.464	34.550
Energy	50.445	26.039	50.947	26.626
Advertising	27.143	13.892	21.807	13.801
Repair and maintenance	12.776	6.613	11.656	6.264
Security	9.778	4.832	8.809	4.505
Warehouse	23.000	12.092	19.638	10.302
Taxes and other fees	5.251	3.165	5.054	2.706
Mechanisation	9.085	5.093	7.572	2.947
Communication	4.090	2.064	3.395	1.734
Other	36.810	20.104	31.721	17.077
	862.450	448.772	762.781	399.469
Marketing, selling and distribution expenses	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Staff costs	311.920	164.025	271.054	143.418
Rent	190.801	98.435	162.966	84.162
Porterage and cleaning	23.236	12.459	20.280	10.494
Transportation	37.655	19.937	35.499	18.696
Energy	49.943	25.787	50.382	26.329
Advertising	27.143	13.892	21.807	13.801
Repair and maintenance	12.499	6.453	11.384	6.124
Security	9.412	4.647	8.453	4.326
Warehouse	23.000	12.092	19.638	10.302
Taxes and other fees	4.875	3.020	4.565	2.572
Mechanisation	7.608	4.108	6.642	2.761
Communication	3.291	1.682	2.758	1.383
Other	29.420	15.717	25.388	13.658
	730.803	382.254	640.816	338.026
General administrative expenses	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Staff costs	42.057	20.554	41.988	21.727
Depreciation and amortisation	77.378	38.967	69.464	34.550
Other	12.212	6.997	10.513	5.166
	131.647	66.518	121.965	61.443

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NOTE 14 - EXPENSES BY NATURE (Continued)

Expenses by nature in cost of sales for the periods 1 January – 30 June 2014 and 2013 are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Cost of trade goods	(2.729.207)	(1.440.886)	(2.420.427)	(1.258.375)
Service costs	(13.233)	(6.317)	(12.829)	(6.246)
	(2.742.440)	(1.447.203)	(2.433.256)	(1.264.621)

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 - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Interest income on term sales	16.259	7.583	9.628	4.926
Interest income from operating activities	11.593	5.883	6.096	3.171
Gain on sales of scrap goods	211	181	345	63
Gain on damage insurance	410	112	221	73
Litigation provisions	257	(499)	-	-
Provision write-off (*)	194	28	6.005	5.945
Other	872	475	3.989	3.121
	29.796	13.763	26.284	17.299

(*) As of 30.06.2014, provision write-offs do not have the impact of the cancellation of the rent provision of TL 5.896 which was accounted in the same period last year.

Other operating expenses:	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Interest expense on term purchases	(61.904)	(34.126)	(32.479)	(17.110)
Bad debt expense	(1.670)	(953)	(3.893)	(1.148)
Litigation provisions	-	-	(2.777)	(41)
Losses from prior period rent differences	(812)	(360)	(2.840)	(1.232)
Other	(4.768)	(1.322)	(3.976)	(2.569)
	(69.154)	(36.761)	(45.965)	(22.100)

NOTE 16 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities:	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Gain on sale of property, plant and equipment	637	299	754	537
	637	299	754	537

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

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Expenses from investing activities:				
Losses from closed stores	(1.426)	(1.000)	(4.694)	(1.710)
Loss on sale of property, plant and equipment	(1.328)	(678)	(348)	(240)
	(2.754)	(1.678)	(5.042)	(1.950)

NOTE 17 - FINANCIAL INCOME

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Interest income on bank deposits	5.337	2.143	5.149	2.097
Foreign exchange gains	48.685	36.024	22.064	(12.321)
Financial income on derivatives	-	-	18.079	16.932
	54.022	38.167	45.292	6.708

NOTE 18 - FINANCIAL EXPENSES

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Foreign exchange losses	(9.996)	62.666	(160.313)	(154.590)
Interest expense on bank borrowings	(63.886)	(30.041)	(57.145)	(29.658)
Financial expense on derivatives	(6.657)	(4.476)	(15.873)	(13.503)
Other	(3.828)	(2.043)	(2.701)	(1.359)
	(84.367)	26.106	(236.032)	(199.110)

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

	30 June 2014	31 December 2013
Taxes and fund payable	27.422	70.938
Less: Prepaid current income taxes	(23.156)	(52.611)
Taxes on income, net	4.266	18.327
	30 June 2014	31 December 2013
Deferred tax assets	32.064	28.555
Deferred tax liabilities	(142.950)	(143.412)
Deferred tax liabilities, net	(110.886)	(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 30 June 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 30 June 2014 and 2013 are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Current period tax expense	(27.422)	(11.004)	(24.933)	(15.365)
Prior period tax income (*)	5.930	5.930	-	-
Period tax expense	(21.492)	(5.074)	(24.933)	(15.365)
Deferred tax (expense) / income	2.549	(775)	(1.427)	(3.247)
	(18.943)	(5.849)	(26.360)	(18.612)

(*) The Company revised tax provisions for the year 2013, which was stated in the financial statements as of 31 December 2013, by giving correction declaration to the related tax office.

According to the mentioned revision, The Company paid TL 5.930 less tax amount for the year 2013.

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 30 June 2014 and 31 December 2013 using the currently enacted tax rates, is as follows:

	Cumulative temporary		Deferred tax	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Fair value change of derivative instruments	2.751	869	550	174
Short term provisions	80.872	75.007	16.174	15.002
Inventories	20.443	16.781	4.089	3.356
Provision for employment termination benefits	51.666	43.954	10.333	8.791
Unincurred interest income	310	201	62	40
Other	4.278	5.959	856	1.192
Deferred income tax assets			32.064	28.555
Fair value change of derivative instruments	(168)	(949)	(34)	(190)
Property, plant and equipment and intangible assets	(730.680)	(734.964)	(139.063)	(139.482)
Unincurred interest expense	(16.148)	(15.186)	(3.230)	(3.037)
Other	(3.117)	(3.514)	(623)	(703)
Deferred income tax liability			(142.950)	(143.412)
Total deferred income tax liability, net			(110.886)	(114.857)
			30 June 2014	31 December 2013
Deferred income tax assets:				
Deferred income tax asset to be recovered after more than 12 months			10.742	8.965
Deferred income tax asset to be recovered within 12 months			21.322	19.590
			32.064	28.555
Deferred income tax liabilities:				
Deferred income tax liability to be settled after more than 12 months			(139.560)	(140.216)
Deferred income tax liability to be settled within 12 months			(3.390)	(3.196)
			(142.950)	(143.412)
Deferred tax liabilities, net			(110.886)	(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	(1.427)
Cumulative translation difference	(791)
30 June 2013	(108.836)
1 January 2014	(114.857)
Deferred tax expense from continuing operations	2.549
Cumulative translation difference	1.422
30 June 2014	(110.886)

NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Share Capital

As of 30 June 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 30 June 2014 and 31 December 2013 are stated below:

Shareholders	30 June 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

	30 June 2014	31 December 2013
Due from related parties		
Mavi Jeans Giyim Sanayi ve Tic. A.Ş.	25	18
Tekin Acar Büyük Mağazacılık T.A.Ş.	7	6
Provus Bilişim Hizmetleri A.Ş.	-	1
Sanal Merkez T.A.Ş.	-	30
Total due from related parties	32	55
	30 June 2014	31 December 2013
Due to related parties		
Natura Gıda San. Tic. ve A.Ş.	2.068	648
Other	87	86
Total due to related parties	2.155	734

(ii) Other transactions with related parties

Inventory purchases	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Natura Gıda San. Tic. ve A.Ş.	2.176	1.834	1.307	1.101
	2.176	1.834	1.307	1.101
	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Rent income	528	228	446	174
Other	115	64	-	-
	643	292	446	174

(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 30 June 2014 and 2013 is as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Short-term benefits to employees	7.073	3.543	4.038	2.019
	7.073	3.543	4.038	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 - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Net income / (loss) attributable to the shareholders	42.028	103.265	(125.938)	(160.810)
Weighted average number of sales with Kr1 face value each ('000)	17.803.000	17.803.000	17.803.000	17.803.000
Earnings / (losses) per share (Kr)	0,24	0,58	(0,71)	(0,90)

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 30 June 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 124.337.

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

FOREIGN CURRENCY POSITION

	30 June 2014				31 December 2013			
	Total TL equivalent	USD	EURO	Other TL equivalent	Total TL equivalent	USD	EURO	Other TL equivalent
Trade receivables	7.015	273	1	6.432	7.701	374	27	6.823
Monetary financial assets	207.693	11.763	57.342	16.888	391.178	4.917	123.169	18.998
Other	12.966	2.047	76	8.400	12.494	1.214	-	9.903
Current assets	227.674	14.083	57.419	31.720	411.373	6.505	123.196	35.724
Other	-	-	-	-	203	95	-	-
Non-current assets	-	-	-	-	203	95	-	-
Total Assets	227.674	14.083	57.419	31.720	411.576	6.600	123.196	35.724
Trade payables	11.153	823	119	9.061	17.481	1.039	147	14.831
Financial liabilities	483.525	-	167.200	-	491.973	-	167.537	-
Non-monetary other liabilities	8.897	944	-	6.893	8.783	1.694	-	5.167
Current liabilities	503.575	1.767	167.319	15.954	518.237	2.733	167.684	19.998
Financial liabilities	2.166.607	-	749.198	-	2.440.568	-	831.115	-
Non-monetary other liabilities	2.311	-	799	-	2.593	-	883	-
Non-current liabilities	2.168.918	-	749.997	-	2.443.161	-	831.998	-
Total liabilities	2.672.493	1.767	917.316	15.954	2.961.398	2.733	999.682	19.998

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

FOREIGN CURRENCY POSITION

	30 June 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	(2.444.819)	12.316	(859.897)	15.766	(2.549.822)	3.867	(876.486)	15.726
Net foreign currency asset / (liability) position of monetary items	(2.446.577)	11.213	(859.174)	14.259	(2.551.143)	4.252	(875.603)	10.990
Fair value of hedged funds of foreign currency	(537)	-	-	-	870	-	-	-
Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedged amount of foreign currency liabilities	40.487	-	14.000	-	17.619	-	6.000	-
Export	-	-	-	-	-	-	-	-
Import	37.028	17.039	-	-	78.314	41.080	-	-

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

30 June 2014

	Gain / Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
5% change in Euro Exchange rate		
Euro net asset / liability	(124.337)	124.337
Portion secured from Euro risk	-	-
Euro net effect	(124.337)	124.337

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. Group management believes the carrying values of the financial instruments approximate their fair values.

NOTE 25 - SUBSEQUENT EVENTS

None