

AWAYS WITH MIGROS

MiGROS

MIGROS 2018 ANNUAL REPORT

CONTENTS

ABOUT MIGROS	IN 2018	CORPORATE GOVERNANCE	FINANCIAL INFORMATION
2 Our Formats	22 Migros Operations in 2018	63 2018 Ordinary General Assembly Meeting Agenda	99 Consolidated Financial Statements as of 31 December 2018 and Independent Auditor's Report
4 Corporate Profile	22 Investments	64 Board of Directors Report	
5 Vision-Mission-Strategies-Values-Principles	28 International Subsidiaries	70 Corporate Governance Principles Compliance Report	
6 2018 at a Glance	29 Product Management		
8 Awards & Recognitions	31 Private Labels		
10 Key Indicators	34 Money Club and CRM		
12 Timeline	35 Migros Brand Communication		
14 Financial Review	39 Customer Services and Service Channels		
16 Message From the Chairman	42 Quality Management		
18 Message from the CEO	45 Quality Management Systems		
	46 Good Agricultural Practices		
	48 Information Technologies		
	49 Human Resources & Training		
	52 Health & Safety		
	56 The Migros Approach to Sustainability		



Migros is now serving customers in all 81 of Turkey's provinces. Substantial progress in the direction of sustainability earned Migros the right to join the Borsa Istanbul Sustainability Index in 2014. Migros is the first—and is still the only—food retailer whose shares have been included in that index every year since then. With the plan to combat climate change that it submitted to the Carbon Disclosure Project, Migros was included in the ranks of Turkey's CDP Climate Leaders in 2016 and 2017, while in 2018 the company published its first CDP Water report as well.



OUR FORMATS

2,008

STORES

81

PROVINCES

51

STORES

6

PROVINCES

2

MiGROS

MİGROS

Celebrating its 64th year in the Turkish retailing industry Migros offers a unique shopping experience thanks to stores in all 81 of Turkey's seven geographical regions, innovative practices, service quality, family-budget-friendly competitive prices, and friendly service approach. With its Jet, M, MM, MMM, and 5M formats, Migros is constantly increasing the number of its locations and making itself more accessible to customers.



macrocenter

MACROCENTER

An exclusive product portfolio, superior customer service standards, unique store design, and range of delicacies all position Macrocenter as Turkey's top-end supermarket chain. While catering to its customers' lifestyles and preferences with outstanding offerings from Europe and the rest of the world as well as with some of the choicest of Turkey's regional specialties, Macrocenter's service quality and passion for what it does enable it to exceed customers' expectations.



139

STORES

30

PROVINCES

44

STORES

2

COUNTRIES



MİGROS VIRTUAL MARKET

Established in 1997, Migros Virtual Market was Turkey's first online food retailer. Today it continues to provide service with its vision of making the Migros brand accessible to every household in Turkey and with its strategy centered on customer focus. In addition to Migros Virtual Market, Migros also offers solutions aimed at satisfying a wide range of customer expectations through its Macrocenter mobile app and Tazedirekt e-commerce channel while also readying itself for the future of retailing through the investments that it undertakes.

www.sanalmarket.com.tr

www.migroselektronik.com



RAMSTORE

In addition to being a pioneer of Turkey's retailing industry, Migros also serves customers in Kazakhstan and Macedonia under the "Ramstore" brand. Ramstore is the name of an enjoyable shopping experience with international aspirations. Besides expanding the number of Ramstore locations in its existing operational territories, Migros is also exploring investment opportunities in new countries as well.



CORPORATE PROFILE

AS THE AUTHOR OF MANY RETAILING INDUSTRY FIRSTS IN THE COURSE OF 64 YEARS, MIGROS CONTRIBUTES TO THE GROWTH OF ITS SECTOR.

4



Through “Good Farming”, “Good Meat”, “Good Chicken”, and similar practices, Migros undertakes substantial investments to ensure that customers have access to fresh and wholesome foods.

With supermarket and hypermarket format stores in all 81 of Turkey's provinces, Migros continues to pursue international growth through its Ramstore brand, currently in Kazakhstan and Macedonia. In addition, Migros Virtual Market is the first name for online food shopping that comes to people's minds in Turkey.

Besides a wide range of affordable, good-quality product choices, Migros also gives its customers friendly service. Through “Good Farming”, “Good Meat”, “Good Chicken”, and similar practices, Migros undertakes substantial investments to ensure that customers have access to fresh and wholesome foods. As the owner of Turkey's biggest integrated meat processing plant in which all operations are conducted fully under its own control, Migros is able to guarantee the wholesomeness and quality of its red meat products.

As the author of many retailing industry firsts in the course of its 64 years, Migros contributes to the growth of its sector. The first barcodes, the first to accept credit cards, the first electronic checkout system, the first private-label offerings, the first loyalty card program, and the first online supermarket are just a few of the innovations that Migros introduced to food retailing in Turkey.



VISION-MISSION-STRATEGIES-VALUES-PRINCIPLES

MIGROS PROVIDES ITS CUSTOMERS WITH MODERN, RELIABLE, ECONOMICAL, AND HIGH-QUALITY SERVICE TO.

Vision

To always be shoppers' first-choice address by providing superior customer attention and a dependable shopping experience.

Mission

To offer a unique shopping experience that combines unrivalled service quality, innovative practices, rich product diversity, and prices that contribute to families' budgets. To engage in socially and environmentally beneficial activities that create value for all stakeholders.

Strategies

Migros defines its strategies in line with its mission and so as to achieve sustainable quality, respect, and sectoral leadership through an approach to customer satisfaction that rises the bar of retailing standards in the countries in which it operates.

Migros' most fundamental strategy is to provide the most modern, a reliable, an economical, and a high-quality service.

Values

Migros' corporate values, which everyone adheres to and which are fashioned through the participation of all employees, are as follows;

- Customer Focus
- Trust
- Sensitivity
- Leadership
- Efficiency
- Innovation

Principles

Believing in the importance of having a strong corporate governance structure, Migros makes corporate governance principles its guide during every stage of every activity. As one outcome of its corporate governance attitudes, the Company acts in accordance with its awareness that adherence to the corporate governance principles published by the Capital Markets Board is beneficial not just to Migros itself but to all of its stakeholders and to the country as a whole. Detailed, up-to-date information about Migros and its corporate governance practices is published on the Company's corporate website.

Migros has adopted all four basic tenets of corporate governance:

- Fairness
- Transparency
- Responsibility
- Accountability.



2018 AT A GLANCE

MORE AND MORE HOUSEHOLDS ARE JOINING THE RANKS OF MIGROS CUSTOMERS EVERY YEAR.

6

Migros' corporate governance rating was updated to 9.58 (95.81%) as of 28 December 2018.



238

238 new stores opened for service in 2018.

With food retailing operations in all 81 of Turkey's provinces, Migros increased its consolidated sales by 22% year-on in 2018.

The number of stores in the company's home market reached 2,059 last year. With the inclusion of its 44 stores in Kazakhstan and Macedonia, the total number of Migros stores in 2018 was 2,103.

Thanks to the rich product lineup that it offers customers as well as to innovative practices, service quality, family-budget-friendly competitive prices, and value-creating campaigns, more and more households in Turkey are joining the ranks of Migros customers every year.

25th

In Deloitte's "Global Powers of Retailing" league table, Migros ranked in 25th place in the assessment of 50 fastest-growing companies.



7

Because of its fresh-food expertise and quality, Migros remains the most-preferred retailer of fresh fruits, vegetables, meat, and baked goods. Coming from MIGET, Turkey's biggest integrated meat processing plant only after making it successfully through 220 checkpoints, the red meat that Migros sells strongly appeals to customers because they can be certain of its quality and source.

Both Migros Virtual Market, Turkey's biggest and most accessible online food retailing website, and Migros' mobile app were given an overhaul in line with customer expectations. The addition of a barcode-reading feature called "Mkolay" to the Migros mobile app allows customers to do their shopping faster and more conveniently by reducing the time that they have to spend at the checkout counter. Migros is also the first-and is still the only-retailer in Turkey to offer a mobile payment option at thousands of checkout points in all 81 of Turkey's provinces.

Last year Migros continued to provide the 10.2 million customers who take part in the Money Club loyalty card program with a host of "Meant For Me" product and campaign offers. The "Journey to Healthy Living" program that was launched in 2018 to promote balanced nutrition also began making personalized recommendations about product groups that customers appeared to be consuming less than ideal amounts of.

Ranking among Turkey's leading firms that have committed themselves to sustainability, Migros is the country's first and only food retailer whose shares have been included in the Borsa İstanbul Sustainability Index for five years in a row. Besides being quoted in the BIST Corporate Governance Index as well, Migros' shares have successfully retained their place in the FTSE4Good Emerging Index for the last three years.

Migros in 2018

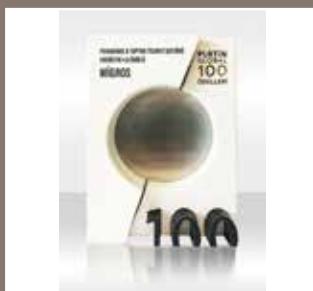
- For the 15th year in a row, Migros received Capital magazine's citation as "Most Admired Retailer" in its "Turkey's Most Admired Companies" survey.
- Migros ranked 15th and 16th respectively in the Capital 500 and Fortune 500 lists of Turkey's biggest companies.
- In the 2018 round of the annual "Brand Finance" survey of Turkey's most valuable brands, Migros ranked 12th.
- In Deloitte's "Global Powers of Retailing" league table of the world's 250 biggest retailers, Migros advanced to 225th position last year and also ranked in 25th place in its assessment of 50 fastest-growing companies.

During 2018, Migros provided 6,500 new job opportunities.

* According to Deloitte's 2019 report that is based on 2017 year-end data.

AWARDS & RECOGNITIONS

**THE PIONEER OF MODERN RETAILING IN TURKEY,
MİGROS' SUCCESS WAS ACKNOWLEDGED BY THE
AWARDS AND RECOGNITIONS THAT IT RECEIVED IN
MANY DIFFERENT AREAS IN 2018.**



2018 Platinum Global 100 Industry 4.0 award

In the 2018 round of “Platinum Global 100” awards, Migros received the “Platinum Global 100 Industry 4.0” award in the “Retailing & Wholesaling” category.



2018 Turkey's Coolest Brand award

Migros numbered among Turkey's Coolest Brands" twice in the 2018 round of Marketing Türkiye's "Cool Brands of the Year" ranking: both in the "Supermarket" category and for its Money Club card in the "Loyalty Card" category.



Stevie Awards for Great Employers

For its “Flexible Fringe Benefits” project, Migros received a Golden Stevie in the “Compensation Design & Management” category and a Silver Stevie in the “Fringe Benefits Design & Management” category in the 2018 round of the Stevie Awards for Great Employers program. The company also received a Bronze Stevie in the “Employee Loyalty” category.



TÜAD Baykuş award

In a consumer survey conducted by the Turkish Researchers' Association, Migros received a bronze award in the “Insightful” category.



MIXX awards

For its “Aşk Tam Bana Göre” and “Sesli Harfler” online media projects, Migros received awards in the “Digital Store” and “Mobile Website” categories.



2017 Turkey's Most Reputable Food Market award

In the Turkey Reputation Academy's "2017 Turkey Reputation Index" ranking of Turkey's most reputable organizations and brands, Migros was cited as "Turkey's Most Reputable Food Market Brand".



Corporate Awareness award

During 2017, Migros' internal auditing processes were audited for their compliance with Institute of Internal Auditors Global's standards and rules of ethics by an independent auditor and were found to conform to IIA standards and rules. On this basis, Migros also received the Institute of Auditors Turkey's "2017 Corporate Awareness" award as well.



Capital award

For the 15th time Migros received Capital magazine's award recognizing the company as Turkey's most-admired retailer.



Effie

In the Effie Turkish Advertising competition conducted by the Association of Advertising Agencies and the Advertisers' Association, Migros received a Golden Effie in the "Sustainable Success" category for its "Do You Good Communication Platform" and a "Bronze Effie" in the "Multichannel Retailing" category for the launch of ready-to-cook meat products under its "Master Butcher" label.



Aon Best Employers: "Employee Loyalty" achievement award

Having previously received the Aon Best Employers "Achievement" award for its consistent improvements in fostering employee loyalty in 2016, Migros did so again for the second time in 2017 as well.



Etika

In the 2017 round of the series of ETİKA Turkey Ethics Awards conducted by the Center for Ethical Values, Migros was cited and awarded as one of "Turkey's Most Ethical Companies".



SocialBrands Data Analytics Awards: Marketing Chains category

In the "Marketing Chains" category of the SocialBrands Data Analytics awards program, Migros received a Gold award in recognition of its superior performance in all social media channels.



Best Management of the Customer Experience award

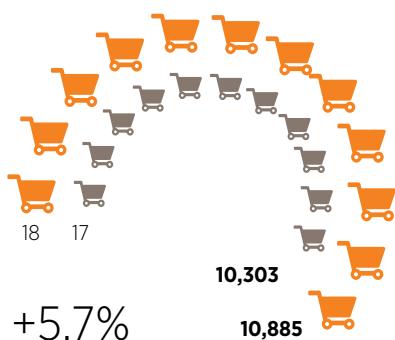
In the series of "Achievement in Customer Excellence" awards recognizing brands that are the best managers of the customer experience according to the Şikayetvar Customer Experience Index, Migros won first prize in the "National Chain Marketing" category.

KEY INDICATORS

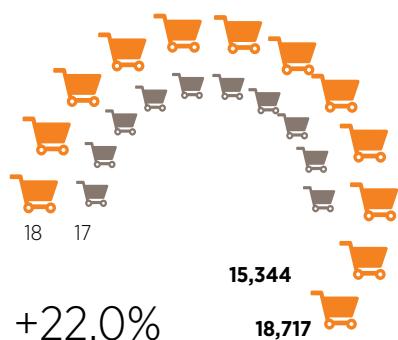
MIGROS' CONSOLIDATED SALES INCREASED BY 22% IN 2018 AND REACHED TR 18,717 MILLION.

10

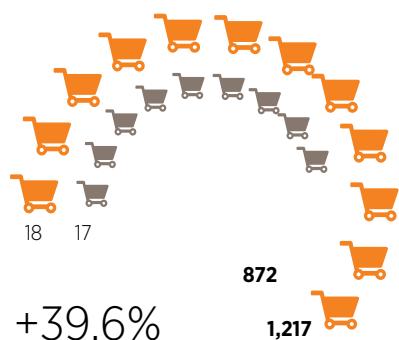
Total Assets (TRL million)



Net Sales (TRL million)



EBITDA (TRL million)



21.7%

The company's domestic sales grew by 21.7% and amounted TRL 18,184 million in 2018.



11

Summary Consolidated Balance Sheet

(TRL thousand)	2018	2017	Change (%)
Assets			
Current Assets	4,474,261	3,776,275	18.5
Non-Current Assets	6,410,600	6,526,400	-1.8
Total Assets	10,884,861	10,302,675	5.7
Liabilities			
Current Liabilities	6,674,919	5,516,096	21.0
Non-current Liabilities	3,574,852	3,259,431	9.7
Non-controlling Interests	2,186	56,654	-96.1
Attributable to Equity Holders of the Parent	632,904	1,470,494	-57.0
Total Liabilities and Equity	10,884,861	10,302,675	5.7

Summary Consolidated Statement of Income

(TRL thousand)	2018	2017	Change (%)
Net Sales	18,717,358	15,344,047	22.0
Gross Profit	5,248,537	4,081,966	28.6
Operating Profit	441,090	302,823	45.7
Net Income	-835,437	509,036	-264.1
EBITDA	1,217,399	871,902	39.6

39.6%

As of end-2018, the company's EBITDA was up by 39.6% and reached TRL 1,217 million in value.

TIMELINE

40 TH ANNIVERSARY					
1954	10 TH ANNIVERSARY	20 TH ANNIVERSARY	30 TH ANNIVERSARY	1994	
1954 45 SHOPPING CARTS	1964 1 STORE	1974 3 STORES	1984 25 STORES	38 M 11 MM 7 MMM TOTAL 56 STORES	
1954 ESTABLISHED Migros is established as a joint venture of the Swiss-based Migros Cooperatives Society and the İstanbul municipality.	1975 Koç Group acquires a majority stake in Migros.	1988 Migros ventures outside İstanbul for the first time by opening four stores in İzmir.	1990 Large-scale retailing begins with the introduction of the “MM” and “MMM” formats. Migros introduces part-time employment practices to Turkey’s food retailing sector. Migroskop begins publication. Turkey’s first computerized automatic-weighing cash registers are introduced at Migros stores.	1995 Migros-branded private label products appear on the shelves of Migros stores. Migros starts sales with credit cards in the retailing sector.	1996 Migros ventures abroad with its first store in another country. First electronic shelf tags go into use.
1957 First Migros store opens in the İstanbul Beyoğlu fish market.			1991 Migros goes public.		1997 Migros launches Migros Virtual Market, Turkey’s first online food retailer. Migros opens its first shopping mall in the Beylikdüzü district of İstanbul.

50 TH ANNIVERSARY	60 TH ANNIVERSARY	65 TH ANNIVERSARY
2004 DOMESTIC 283 DISCOUNT STORES 72 M 72 MM 33 MMM 3 5M INTERNATIONAL 44 RAMSTORE TOTAL 507 STORES	2014 DOMESTIC 212 TANSAŞ 28 MACROCENTER 273 MIGROS JET 319 M 213 MM 79 MMM 24 5M INTERNATIONAL 42 RAMSTORE TOTAL 1,190 STORES	2018 DOMESTIC 51 MACROCENTER 776 MIGROS JET 656 M 367 MM 134 MMM 56 5M 19 WHOLESALE INTERNATIONAL 43 RAMSTORE 1 MACROCENTER TOTAL 2,103 STORES

1998 <p>Migros introduces Migros Club Card, the first loyalty card system in Turkey's food retailing industry.</p>	2007 <p>The "deep-discount" 5M format of hypermarkets is launched.</p> 	2011 <p>The Migros Jet convenience store format is launched.</p>	2014 <p>Migros celebrates its 60th anniversary.</p>	2018 <p>Migros merged with Kipa, of which it acquired 95.50% stake in 2017, under the roof of Migros.</p>
1999 <p>Migros' first Ramstore is opened, in Kazakhstan.</p> <p>Turkey's-and Europe's-first self-checkout customer activated terminal goes into service.</p>	2009 <p>Following the transfer of the Koç Group's stake in 2008, MH Perakendecilik ve Ticaret A.Ş. becomes Migros' major shareholder.</p> <p>Migros introduces the first "express checkout lane" to shoppers in Turkey.</p> 	2015 <p>Anadolu Group acquired 40.25% of Migros shares indirectly.</p>		
2005 <p>Migros acquires Tansaş, a leading regional food retailer in Aegean Turkey.</p> <p>The Macrocenter format is launched.</p> <p>Migros opens its first Ramstore in Macedonia.</p>				

FINANCIAL REVIEW

REGISTERING STRONG OPERATIONAL PERFORMANCE IN 2018, MIGROS ACHIEVED ALL OF ITS STORE OPENING, SALES GROWTH, AND EBITDA MARGIN TARGETS.

14



33.8%

33.8% higher last year than it was the year before, Migros' EBITDA before rent costs margin weighed in at 11.7% in 2018.

Migros registered a strong growth performance in 2018. The company's consolidated sales were up by 22% year-on and topped TRL 18.7 billion. Newly-opened and existing stores in its home market also performed strongly, with Migros increasing both its Turkish national footprint and its market share. The company's domestic and international subsidiary sales were up by 21.7% and 34% respectively last year.

Migros also continued to undertake domestic and international investments in 2018. Last year the company opened a total of 238 new stores: 233 in Turkey and 5 abroad. As of end-2018, there were 2,103 stores in the company's portfolio.

Migros' consolidated gross profit in 2018 reached TRL 5,249 million while its consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) was up by 39.6% year-on and reached TRL 1,217 million. The company's EBITDA margin of 6.5% was thus above the 5.6-6.0% target range which had been announced in March 2018 and which was subsequently revised upward to a firm 6.0% later in the year. Migros' EBITDA before rent costs margin was 11.7% in 2018, 33.8% higher than it was the year before.

The operational performance of Migros' stores in 2018 was at the desired level. Efforts continued to be made however to improve the sales-area efficiency of its hypermarket-format stores.

Unfavorable exchange rate movements during the year had an adverse impact on the company's operational profitability by increasing its financing costs. As a result of this, Migros posted a consolidated net loss of TRL 835 million in 2018. As of year-end, the company's consolidated shareholders' equity amounted to TRL 635 million.

Migros registered a strong operational performance in 2018 in which it achieved all of its store opening, sales growth, and EBITDA margin targets. In 2019 the company expects to open 100 new stores, to register consolidated sales growth on the order of 20%, and to achieve an EBITDA margin of about 6%.



15

LIQUIDITY RATIOS	31 December 2018	31 December 2017
Current Ratio	0.67	0.68



FINANCIAL STRUCTURE RATIOS	31 December 2018	31 December 2017
Financial Leverage (Total Liabilities/Total Equity)	0.94	0.85
Total Liabilities/Total Equity	16.14	5.75
Financial Liabilities/Total Assets	0.42	0.38
Net Cash Position (TRL thousand)	-2,818,831	-2,302,244

PROFITABILITY RATIOS (%)	1 January - 31 December 2018	1 January - 31 December 2017
Gross Profit Margin	28.0	26.6
Operating Profit Margin	2.4	2.0
EBITDA Margin	6.5	5.7
EBITDAR Margin	11.7	10.7
Net Profit Margin	-4.5	3.3

635

SHARE PERFORMANCE RATIOS	December 2018	December 2017
Market Capitalization (TRL thousand)	2,697,708	4,906,507
Share Price (TRL)	14.9	27.56
Earnings per Share (TRL 0.01)	-4.61	2.83

As of end-2018, Migros' consolidated shareholders' equity amounted to TRL 635 million.

MESSAGE FROM THE CHAIRMAN

BOTH MIGROS' CONSOLIDATED SALES DURING THE MOST RECENT THREE YEARS AND THE EBITDA THAT IT GENERATED DURING THE SAME PERIOD HAVE DOUBLED. OUR EFFORTS NOW ARE FOCUSING ON ACHIEVING THE SAME SORT OF GROWTH IN THE COURSE OF THE NEXT THREE TO FOUR YEARS.

16

We have completed a year that was positive for the company's growth. We exceeded our targets that we set for the year.

Esteemed business partners and other stakeholders:

Welcome to our company's annual general assembly meeting for 2018. It gives me pleasure to have this opportunity to meet and share with you our company's goals and strategies, how we are positioning Migros in its sector, and what our growth plans are.

Economic and Sectoral Review

Higher exchange rates experienced in the second half of 2018 increased the cost of producing goods and services in our country. With companies behaving more cautiously in their investment strategies, economic growth fell as compared with previous years. We are now in the early months of 2019 and while there has been an increase in unemployment figures, the volatility band of exchange rate movements narrowed, year-on-year inflation has begun to subside, and we have embarked upon a process of economic restabilization. Assuming we left the worst behind us, we remain expectant that the process immediately ahead of us will be one of increased appetite for investment, improvements in growth, and a reduction in inflation. A climate of confidence nourished by policies that focus on our

country's economic issues will help revive investment, reestablish strong growth, and reduce unemployment. Only when that happens will the potential for the high growth that our youthful and dynamic country deserves be restored.

At the international level, there was certain evidence of economic recovery in the United States and other developed countries. Notwithstanding its occasional market volatilities, 2018 was a generally positive year in which expectations improved.

Strategies and Operational Performance

Here at Migros we have completed a year that was positive for the company's growth. Exceeding our targets that we set for the year, we opened 238 new stores in 2018. Our total investment outlays in 2018 reached TRL 488 million. As a result of those investments there are no provinces in Turkey, missing Migros shopping experience, Migros quality, confidence, Migros friendly service and care. The legal formalities entailed by our merger with Kipa were completed. Every former Kipa store has been converted into an appropriate Migros format in order to improve their sales performance and make them more productive. In a similar way, all of the Makromarket and Uyum

488

Our total investment outlays in 2018 reached TRL 488 million.

stores that we took over last year have also been converted to a Migros format. In addition, we also continued to invest in making improvements in existing Migros stores.

With the inclusion of the premises of its international subsidiaries, the total number of stores in Migros' portfolio reached 2,103. Owing both to new store openings and to strong performance by existing ones, Migros' consolidated sales in 2018 topped TRL 18.7 billion, a figure that corresponds to a 22.0% rate of year-on growth. Our consolidated operational profit was also up year-on and indeed grew by more than our company's sales. Consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) increased by 39.6% year-on and topped TRL 1.2 billion. Our EBITDA margin, which was 5.7% in 2017, improved and reached 6.5% in 2018. However despite Migros' strong operational performance, the depreciation of the Turkish lira against the euro in particular exacerbated the company's exchange rate losses and, as a result of the associated financing expenses that were booked, the company showed a net consolidated loss of TRL 835 million in 2018.

The outlook for the future

In the period ahead, our goals as Migros will be to reduce the company's euro-denominated debt, continue to pursue growth, and improve operational profitability. Over the last three years, our company's consolidated sales have risen from TRL 9,390 million to TRL 18,717 million while its consolidated EBITDA has increased from TRL 602 million to TRL 1,217 million.

So when we step back and take a look at the big picture, we see that both Migros' consolidated sales during the most recent three years and the EBITDA that it generated during the same period have doubled. Our efforts now are focusing on achieving the same sort of growth in the course of the next three to four years.

These targets are high and achieving them is certainly not going to be easy. We are certainly going to have to work harder than ever in order to do so. And certainly the support of you, our stakeholders, is going to be just as important as ever. However just as the words "quality", "service", and "family-budget-friendly" come to mind whenever the Migros name is mentioned in our country and just as customers prefer our brand because "If it's Migros you can trust it", my own way of thinking is very much the same.



17

That's because when I look at Migros' employees I know I can trust Migros the same way that our customers do.

I offer my love and respect to you all.

A handwritten signature in black ink, appearing to read "Tuncay Özilhan".

Tuncay Özilhan

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

MESSAGE FROM THE CEO

MIGROS HAS CHANGED AND WILL CONTINUE TO CHANGE THE WAYS IN WHICH IT DOES BUSINESS. WE HAVE SHAPED OUR ORGANIZATION NOT SO MUCH ACCORDING TO FUNCTIONAL ISSUES BUT RATHER TO BE PROCESS-BASED, FOCUSED ON BUSINESS RESULTS, FLEXIBLE, AND NIMBLE.

18

We should note that food retailing is a business that is affected relatively less than others by shrinking demand and tough market conditions.

Valued Migros stakeholders:

Migros and the retailing industry

Having just put behind us a year in which we experienced significant economic volatility, we should also note immediately that food retailing is a business that is affected relatively less than others by shrinking demand and tough market conditions. Even though our customers may cut back expenditures in some product groups, the demand for basic foodstuffs remains fairly stable. While the shrinking value of the Turkish lira hurts the private sector overall, it also results in substantial increases in our revenues in resort areas that attract international tourists. Turkey's own expanding population is yet another factor. Taking all this into account, we may be confident that Migros is indeed engaged in the right business line.

Financial and operational performance

Last year we continued to undertake investments aimed at ensuring the sustainability of our growth. Under tough market conditions we renovated some of our stores while opening 238 new ones. Total investment outlays in 2018 amounted TRL 488 million. We also completed the conversion of all of our Kipa, Makromarket, and Uyum stores into their appropriate Migros formats. We continued our efforts to increase the sales-space productivity of our large stores. With the inclusion of our

international operations, the total number of stores in our portfolio reached 2,103 last year.

Migros' consolidated sales topped TRL 18.7 billion in value in 2018, a figure that corresponds to a year-on rise of 22%. Our sales growth is expected to be around 20%. Our consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) increased by 39.6% as compared with 2017 and exceeded TRL 1.2 billion. An 80 basis-point improvement in our EBITDA margin brought it to 6.5%. What all of this means is that on an operational basis, the core business that we do continued to generate profits. However owing to the weakness of the Turkish lira, specifically against the euro, Migros experienced a serious increase in its exchange rate losses and financing costs. The upshot is that our company posted a consolidated net loss of TRL 835 million in 2018.

For some time now we have been focusing our attentions increasingly more on electronic commerce, which is the future face of shopping. Online retailing is the latest manifestation of our efforts to be as close to our customers as possible. In addition to our existing virtual market operations, we also recently introduced "Migros Now", a service that we've begun to provide in Istanbul in which we commit to delivering online orders to customer-designated addresses within 30 minutes

SUCCESS

Only the companies that are capable of implementing correct strategies quickly and of adapting to changing conditions in a timely manner will be able to sustain their success into the future.

of their placement. We are currently expanding the footprint of this service to include Turkey's other big cities as well. With our virtual market operations we were always just a click away from our customers; with Migros Now, we can knock on customers' doors with the goods they order almost instantly.

Through our "Journey to Healthy Living" program, we are engaged in efforts to create awareness and to emphasize the importance of balanced nutrition to public health. Using intelligent algorithms, we analyze the food groups and nutritional value of customers' food purchases and compare the findings with a chart of the daily nutrition that a person ideally should be getting. This chart is based on information published by the health ministry. Visual and text messages that we send enable customers to see at a glance what food groups they're not getting enough of so that they can ensure that they're eating a balanced diet. Mindful of our customers' health, we can also encourage them to go on a healthy living journey of their own by offering discounts on the particular groups that their previous purchases suggest they're overlooking.

Vision and strategies

The organized food retailing industry in which we are engaged is a business which is growing rapidly but which is also fiercely competitive. Retailers have no choice but to offer their customers

comparable-quality products in every category (including fresh produce) at the lowest possible prices. When customers can buy the same product from several different places, it is unreasonable to suppose that they are going to choose a place that charges more. In other words, nowadays every retailer is charging the lowest price it can and that fact essentially eliminates any competition on price alone.

In such a tough competitive climate, retailing chains that nourish their growth from their operational profits and are as close as possible to their customers will have a leg up on the others. Among them however, only those that are capable of implementing correct strategies quickly and of adapting to changing conditions in a timely manner will be able to sustain their success into the future.

It is with this thought in mind that Migros has changed and will continue to change the ways in which it does business. We have shaped our organization not so much according to functional issues but rather to be process-based, focused on business results, flexible, and nimble. This organizational structure is designed to incorporate change and capable of renewing itself. That means that in addition to adhering to its main strategies, Migros is always aware that it may need to adopt situational strategies whenever conditions change. We learn as an organization and as we learn we change as well. That keeps Migros ready to deal



19

with any changes in business dynamics, consumer expectations, trends, and/or shopping habits. However much the pace of change may speed up, Migros is able to accommodate itself quickly. We adhere to a management model that ensures the existence of a dynamic organizational structure that will sustain success into the future.

Behaving as more than just a retailer, we address customers' wishes with original and innovative practices that will also make their lives easier. As we continue to carry Migros' success into the future, we know that we can rely on our stakeholders' presence and support and thus advance confidently on that journey.

Very truly yours,

A handwritten signature in black ink, appearing to read "Özgür Tort".

Özgür Tort
Managing Director & CEO
Migros Ticaret AŞ

Meyve - Sebze





THE
WHOLESOMENESS
AND QUALITY
OF MIGROS'
PRODUCTS
AND SERVICES
ARE WHAT
CUSTOMERS
TRUST.

MIGROS OPERATIONS IN 2018

HAVING INCREASED THE NUMBER OF STORES MIGROS IS NOW SERVING CUSTOMERS IN ALL 81 OF THE COUNTRY'S PROVINCES.

22



Migros expanded its home market footprint by opening new stores in 2018.

INVESTMENTS

Migros serves customers through its Migros, Macrocenter, 5M Migros, Virtual Market, and Migros Wholesale formats in Turkey and in other countries under its Ramstore brand.

The new stores that Migros opened in 2018 increased the size of its home market footprint. The company is now serving customers in all 81 of Turkey's provinces. Migros also continues to operate abroad through its presence in Macedonia and Kazakhstan.

While continuing to undertake new investments last year, the company also continued its efforts to renovate existing stores. In the wake of its merger with Kipa, all of that company's stores were converted to a Migros format. Sales-area optimization was also carried out in large-format stores in order to improve the square-meter efficiency of their floor space.

During the year, Migros took over the leases on a number of Uyum stores in İstanbul and Tekirdağ as well as those of Macrocenter stores in Antalya. In the ensuing process, the stores at these locations were also converted to a Migros format as well.

238

During 2018 a total of 238 new stores were opened.



23



As of year-end 2018, the Company's portfolio held a total of 2,103 stores.

During 2018 a total of 238 new stores were opened. Of this number, 233 were in Turkey and consisted of 126 in the Migros (79 M, 41 MM, 6 MMM), 95 in the Migros Jet, 7 in the Macrocenter, 2 in the hypermarket, and 3 in the Wholesale formats while in the Company's international operations, five new Ramstores (three in Macedonia and two in Kazakhstan) were opened.

As of year-end 2018, the Company's portfolio held a total of 2,103 stores consisting of 656 M, 367 MM, 134 MMM,

776 Migros Jet, 56 hypermarket, 19 Wholesale, 51 Macrocenter, and 44 stores (26 Ramstores in Macedonia, 17 Ramstores and 1 Macrocenter in Kazakhstan) through its subsidiaries abroad.

Besides its supermarkets in Turkey and those in Kazakhstan and Macedonia, the company also manages shopping malls. In 2018, Migros' aggregate total net sales area in Turkey and abroad reached 1.5 million m².



MIGROS OPERATIONS IN 2018

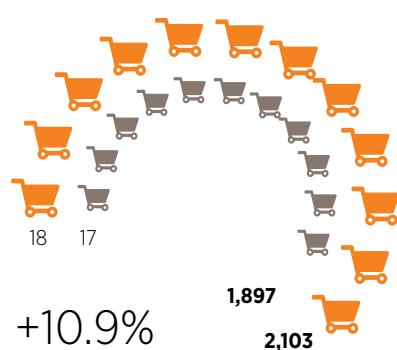
AT YEAR-END 2018, THE TOTAL NUMBER OF MIGROS STORES REACHED 2,103 WITH 2,059 STORES IN TURKEY AND 44 STORES ABROAD.

24

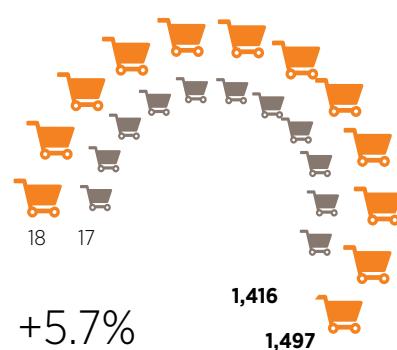
1.5 mn m²

Total sales area reached 1.5 million m².

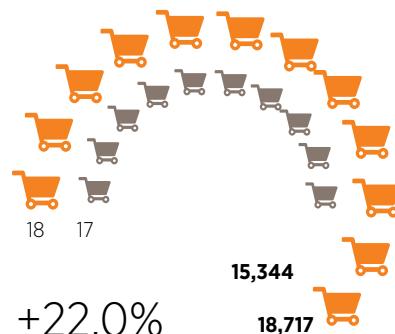
Total Number of Stores (unit)



Total Net Sales Area
(thousand m²)



Net Sales (TRL million)



81

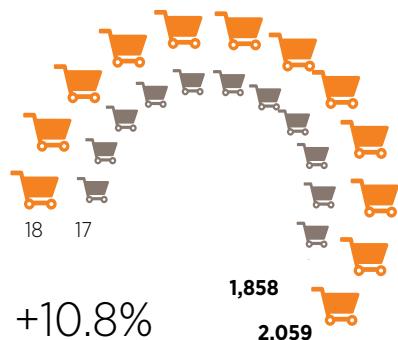
As of year-end 2018 Migros operates in all 81 provinces of the country.

44

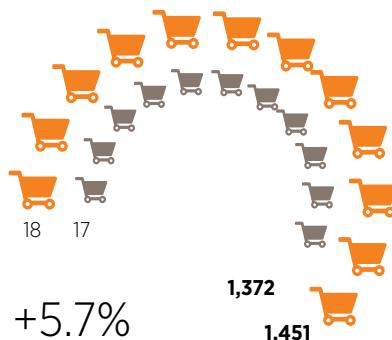
Abroad, Migros provides services with 44 stores in total (26 stores in Macedonia and 18 stores in Kazakhstan).

25

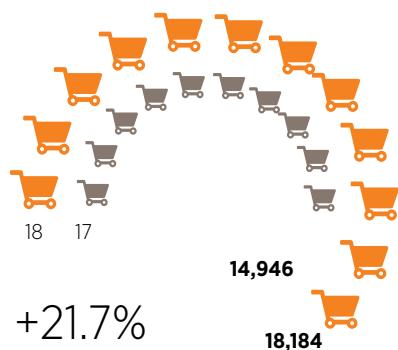
Number of Stores of Domestic Operations (unit)



Net Sales Area of Domestic Stores (thousand m²)



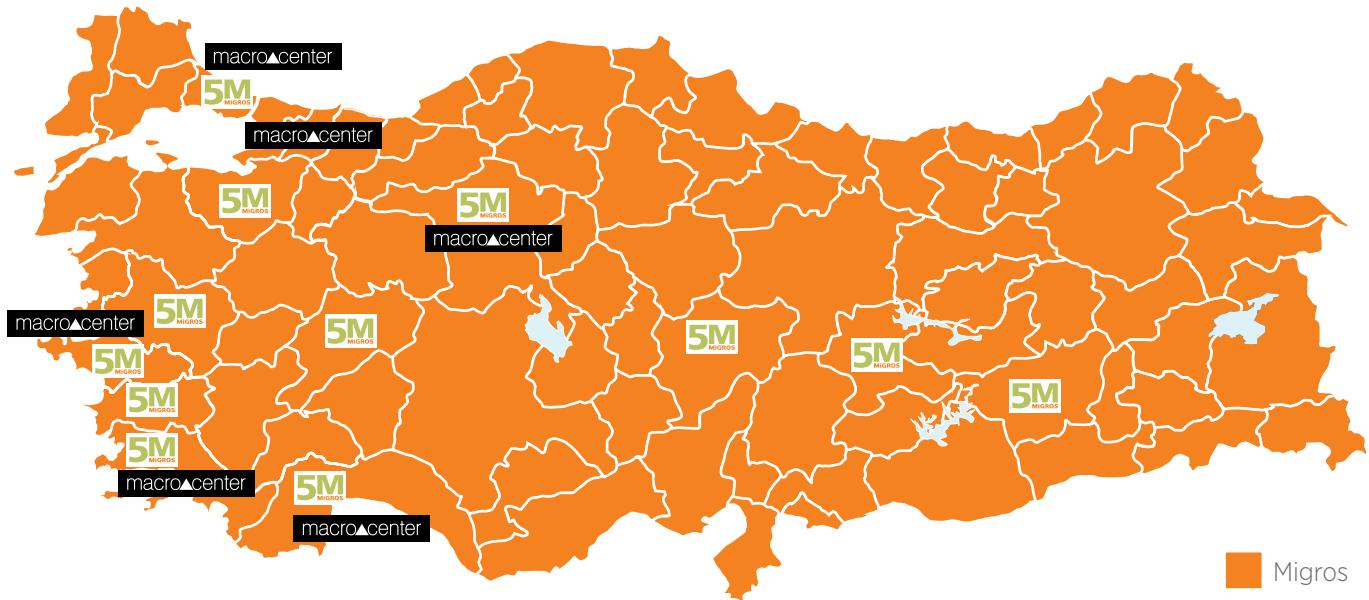
Domestic Sales (TRL million)



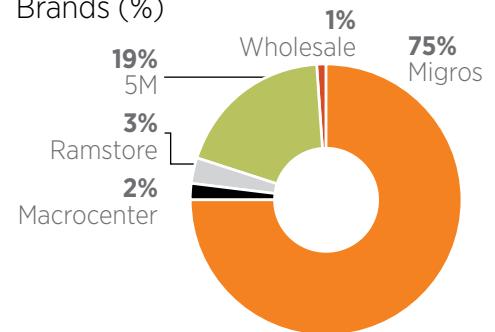
MIGROS OPERATIONS IN 2018

MIGROS CONTINUES TO GROW BY OPENING NEW STORES.

26



Breakdown of Net Sales Area by Brands (%)

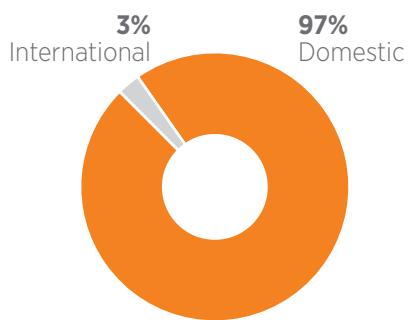




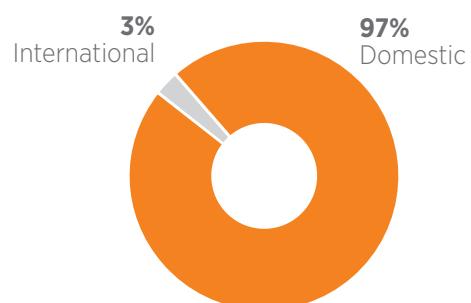
27



Breakdown of Sales (%)



Breakdown of Net Sales Area (%)



MIGROS OPERATIONS IN 2018

IN 2018 MIGROS CONTINUED ITS INTERNATIONAL OPERATIONS THROUGH ITS SUBSIDIARIES IN KAZAKHSTAN AND MACEDONIA.

28

44

Migros' international subsidiaries serve customers through 44 stores located in Kazakhstan and Macedonia.



INTERNATIONAL SUBSIDIARIES

Migros continued its operations in Kazakhstan and Macedonia in 2018.

Ramstore Kazakhstan continued to serve customers with 18 stores and 24,491 m² of sales space in two cities in 2018. Two new stores were opened in Almaty. Ramstore Kazakhstan registered a total of 11.4 million customer footfalls in 2018.

Ramstore Macedonia opened three new stores in Skopje and increased the total number of its stores to 26 and total sales area to 21,919 m². Ramstore Macedonia served 10.4 million customers in 2018.

International subsidiaries, operating through a total of 44 stores, were active on a total 46,410 m² sales area at the end of 2018.

Migros' international subsidiaries in Kazakhstan and Macedonia booked combined sales worth TRL 534 million in 2018, a figure which corresponds to about 3% of Migros' consolidated sales. The Company's international subsidiaries' combined EBITDA profit amounted TRL 26 million last year.

Kazakhstan and Macedonia offer prospective growth potential for organized retailers.

Trust

Migros seeks to deliver the best service and to earn the highest level of customer trust by offering the freshest and most wholesome superior-quality products at affordable prices.



Migros aims to deliver superior-quality products at affordable prices.



PRODUCT MANAGEMENT

Migros offers customers a rich portfolio of competitively-priced goods that will appeal to them. The Company distinguishes itself from its rivals in the retailing industry through effective marketing strategies that include themed campaigns. Price competition remained an important issue for the company, whose aim is to deliver the best service by offering the freshest and most wholesome superior-quality products at affordable prices.

In 2018, category-based “Good For Your Family” campaigns were conducted in which various products were sold to customers at discount prices. Themed catalogues, weekend discounts, and “Seeing Is Believing” campaigns continued to be carried out throughout the year. Discounts which the company offers on special days such as Mother’s Day, International Women’s Day, 23 April National Sovereignty and Children’s Day, and World Animal Day have become a tradition at Migros. The company also continued to publish “Mother & Child” and

similar special catalogs and to conduct effective campaigns such as “Wipe & Sweep”, “The Taste Of Happiness”, and “Cosmetics Star”.

Taking part in Migros’ “Nostalgia” theme, more than a hundred suppliers produced products in their retro packaging formats for sale to the company’s customers. Other successful campaign operations last year included “Ramadan Box” during the month of religious fasting, the sale of Feast of Sacrifice livestock at stores and online, and “New Year’s Basket”. Effective

MIGROS OPERATIONS IN 2018



30



The scope of services provided by the bakery sections installed in M-format stores so that freshly-made baked goods can be produced on the premises and supplied directly to consumers was expanded.

seasonal campaigns were conducted on such occasions as the start of summer and the school year. Our “That’s Taken Care Of!” promotional campaigns in which attractively-priced non-food product specials centered around a particular theme are put on sale also continued.

Migros continued its efforts to supply fresh foods to customers faster and in better condition while also providing distribution opportunities for the vendors of regional specialties.

In order to effectively address consumers’ price, quality, and variety priorities, the company also continues to expand its healthy-lifestyle portfolio of organic, gluten-free, sugar-free and vegan products as well as its portfolio of imported goods.

The range of packaged red meat and offal products was expanded during the year. Fish whose shelf life is extended by means of modified atmosphere packaging was put on sale and made regularly available to customers in stores without fresh fish counters of their own.

Migros installs bakery sections in M-format stores so that freshly-made baked goods can be produced on the premises and supplied directly to consumers. The scope of services provided by these sections was expanded and the concept continued to be extended to other locations.

Product availability in stores was improved by means of various projects carried out to deal effectively with stock and order management issues.

Supply-chain reporting was developed on the company’s Mecom and Memobil supplier collaboration platforms with the aim of contributing to improvements in suppliers’ business performance.



Migros serves customers with more than 1,500 private-label products.

PRIVATE LABELS

The Company offers three different product groups under its “Only At Migros” program: fresh produce, private-label products, and branded products that are sold only by Migros.

Fresh Produce: Strong logistical network support gives Migros a tremendous competitive advantage in ensuring the quality and freshness of its fresh produce. Migros’ adherence to the high standards associated with good agricultural practices supports concerns that fresh fruits and vegetables reach customers in wholesome condition. The company satisfies all of its fresh meat requirements from its own meat processing facilities, from which red meat is supplied to stores on a daily basis. Migros also markets prepackaged, ready-to-cook fresh and prepared red meat products under its “Master Butcher” label.

Private-Label Products: As of end-2018, Migros was serving customers with more than 1,500 private-label products. Migros-branded products consist of basic necessities that possess the superior quality standards that are expected of Migros while being more economical than comparable products currently available on the market.

“M Life” is the brand of products that support healthy life style and offer products in different sub-categories such as organic, low calorie, diabetic. Additionally, there are private-label products such as Viva, Minies, Body Pure, Home Basix, M Toys, Touch Me, Travelpac, Gardenzone in non-food product categories such as paper, baby products, home textile, toys, glassware, small

household appliances, heaters, luggages and gardening products. “Anadolu Specialties”, a project that was inaugurated as a result of surveys conducted in every region of Turkey in order to identify local specialties and crops, had been expanded to include 54 products and 143 stores as of end-2018. These are products which are distinguished by their local and/or cultural connotations, are produced by means of traditional methods, and are typically associated with a backstory. The goal of this project is to ensure that Turkey’s culinary heritage is preserved and passed on to future generations.

In line with private-label products strategy, prices of private-label products were kept down while studies to raise their quality further continued in 2018.

Under the heading of sustainability, Migros continues to maintain a portfolio of private-label products that support healthy, dietetic, and improved lifestyles.

“Only At Migros” branded products: “Only At Migros” branded products consist of more than a thousand offerings that customers can find for sale only at Migros stores. This range of goods consists of products made by well-known brands exclusively for sale by Migros, brands that are only sold at Migros, products which are very popular abroad and which Migros was the first to import into Turkey, and brand-new concept products that Turkish consumers are not yet very familiar with. Such products are one of the ways in which the company distinguishes itself in customers’ eyes through the diversity of its offerings.





MIGROS OFFERS
ITS CUSTOMERS
SUPERIOR YET
REASONABLY-
PRICED
PRODUCTS AND
SERVICES

MIGROS OPERATIONS IN 2018

MONEY CLUB WAS TURKEY'S MOST POPULAR CUSTOMER LOYALTY PROGRAM ONCE AGAIN IN 2018.

34



With some 12 million active users, Migros' Money Club card is the hallmark of Turkey's biggest customer loyalty program.

MONEY CLUB AND CRM

With 12 million active users in 2018, Money Club continues to be Turkey's biggest loyalty program.

Money Club continued to expand the scope of its "Meant For Me" program, which presents special offers that are tailored according to a customer's purchasing habits. Last year about 950 thousand customers took advantage of 4.5 million offers generated by this program. These personalized offers are made by taking into account the types of products that customers buy the most often, the average total value of their shopping basket, the frequency of their store visits, and their spending potential.

Further broadening the scope of its "Meant For Me" program, Migros introduced its "Journey to Healthy Living" project, whose aim is to encourage its customers to participate in healthier lifestyles. Under this program, the things which customers consume (based on their purchases) are compared with ideal food-consumption profiles published by the health ministry. The results of these comparisons are then used to suggest customer-specific "healthful living" purchases. In addition to personalized offers, these suggestions also include healthier lifestyle tips.

Migros' mobile app reached 507 thousand active users in 2018. Besides making it easier for customers to receive "Meant For Me" offers, this app also allows them to conveniently keep track of all of their Money Club Card-related purchases and earned points.

The annually-conducted Money Club Kids Campaign targeting families with children continued last year with the "Bugs Bunny & Friends" theme. This campaign, which attracted strong customer interest, distributed more than five million small toys in 2018.

Money Club continued to expand its vision of being both a data and a media platform for suppliers. More than 720 suppliers made use of the customized data and media platforms created for them in order to present customers with the most suitable offers at just the right time.

As a result of such activities, Money Club continued to be the most widely-used customer loyalty program in operation in Turkey during 2018. Last year Money Club also received the "Cool Brands" award and took first place in the "Loyalty Cards" category in the A.L.F.A. Awards 2018 program.



3.5 million

With 3.5 million followers, Migros' social media accounts are used on a daily basis to communicate messages on a host of subjects.

MIGROS BRAND COMMUNICATION

In 2014 Migros repositioned its "Good Service", "Good Variety", "Good Farming", "Good Meat", "Good Chicken", "Good Price", and similar campaigns under a single umbrella called "Migros Will Do You Good". Besides offering customers good prices, Migros also helps them live a better life by eating healthier and benefiting from superior-quality, friendly service in a distinctive shopping environment. During the 2018 Turkish round of the Effie Awards, the pre-eminent international advertising industry award program, the Association of Advertising Agencies and the Advertisers' Association bestowed a Golden Effie in the "Sustainable Success" category on the company for its "Migros Will Do You Good Communication Platform".

In 2018 Migros continued to make effective use of TV, newspaper, radio, outdoor, and magazine media channels. A variety of TV ads, events, sponsorships, and launches were carried out all year long in line with the company's

communication strategy. A "Migros Good Living" festival of live performances and other events was organized in İstanbul. The company also supported its communication activities its sectorally-unique mixed use of digital platforms along with other channels.

Migros TV provides access to more than 11 thousand videos dealing with everything from recipes to beauty care and from mother-child education to do-it-yourself ideas. In 2018 Migros TV videos attracted an average of 8.5 million views every month. The channel continues to work with leading names in the production of new content on such subjects as meal preparation, personal care, makeup tips, and family wellness.

In line with its effective communication strategy, Migros also gives special attention to the use of social media. The company manages five Facebook, five Twitter, and three Instagram accounts. These accounts have attracted some 3.5 million followers overall and are used on a daily basis to share messages on a variety of issues. Migros' "Love Is Meant For Me" digital media campaign was the recipient

of a number of awards in 2018. Inspired by Migros' overall "Meant For Me" campaign, "Love Is Meant For Me" was created especially for Valentine's Day. It received two Silver MIXX awards in the international MIXX Awards' "From Digital To Store" and "Mobile Sites" categories and it also took first place in the "Loyalty Programs" category of the Direct Marketing series of awards. In the series of Social Media awards handed out by Marketing Türkiye, a magazine, it was the recipient of the Gold prize in the "Social Media Management - Marketing Chains" category.

Migros received the "Brand Of The Year" award from the magazine Campaign Türkiye and the "Coolest Brand" award in the "Supermarket" category at the year's Cool Brands ceremony. In the A.L.F.A. Awards recognizing brands that are the best at managing the customer experience, Migros picked up an award in the "Chain Marketing" category. In the 2018 rounds of the Effie, Felis, and Kristal Elma creativity awards, Migros was honored 22 times.

MİGROS OPERATIONS IN 2018

THE NUMBER OF MİGROS STORES SUPPLYING GOODS FOR MİGROS VIRTUAL MARKET'S OPERATIONS WAS INCREASED BY 22% LAST YEAR, BRINGING THE TOTAL NUMBER TO 139.



36



first

When it was founded in 1997, Migros Virtual Market was Turkey's first e-commerce website specializing in food products.

MİGROS E-COMMERCE

Migros' e-commerce vision is to penetrate every household in Turkey with the Migros brand. Placing customer focus at the center of its overall strategy, the company carries out significant operational, organizational, and infrastructural change projects in order to create not only new channels and services but also sustainable business models.

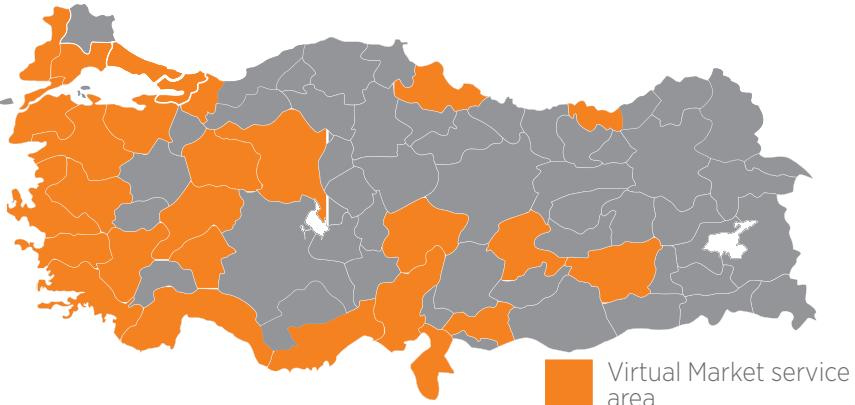
www.sanalmarket.com.tr

When it was founded in 1997, Migros Virtual Market was Turkey's first e-commerce website specializing in food.

The website's technical infrastructure was improved in 2018 and both [sanalmarket.com.tr](http://www.sanalmarket.com.tr) and its associated mobile app were given a makeover to enable them to provide customers with a more user-friendly, more practical, and faster shopping experience. In many cases, options were redesigned to conform to the "lean customer experience" principle with personalized search algorithms and listing methods to make shopping quicker and more convenient.

The number of Migros stores supplying goods for Migros Virtual Market's operations was increased by 22% last year, bringing the total number to 139. The provinces of Isparta, Manisa, and Hatay were added to the Migros Virtual Market service network in 2018.

In line with company strategies, work has begun on increasing store-Migros Virtual Market integration in order to place e-commerce at the center of physical store operations and to design all operations with e-commerce in mind. Besides achieving excellence in the omnichannel customer experience and making more effective use of resources,



this new business model is also expected to help improve operational costs.

The practice that was introduced in line with customer needs of accepting orders for delivery between the hours of 10:00 pm and midnight attracted strong interest. This new schedule allows capacity to be used more efficiently while also providing greater flexibility for daytime and nighttime customer groups.

We have begun formulating machine-learning and data-mining models that take advantage of a variable data-warehouse structure and cloud computing tools. Such models make it possible to take action based on the results of analyses. Moreover by being able to predict what products customers will purchase at what intervals, it becomes

possible to increase sales by exploiting that information in brand collaborations and campaign management.

Working together with suppliers and other business partners, campaigns were conducted to encourage the use of Migros Virtual Market. Redirection links pointing to Migros Virtual Market have also been added to suppliers' digital ads and websites.

Under the heading of brand communication, appearances were made at events likely to be attended by target audiences such as the Red Bull Wings For Life World Run, the Chill-Out Festival, and the Adana Orange Blossom Carnival. Billboard and sponsorship programs were conducted in summer resort areas.



Drop Off At Home



Click & Pick Up



Drop Off At Work



Drive By & Collect

MIGROS OPERATIONS IN 2018



38



Believing that consumers deserve the best of everything, Tazedi̇rekt outperformed sectoral averages by a wide margin according to the results of a survey that was conducted in 2018 to measure customer satisfaction and loyalty.

The use of electrical vehicles for distribution and electrical bicycles in big gated communities and by seasonally-operated stores helped protect the environment by contributing to energy efficiency.

For the Feast of Sacrifice, Migros Virtual Market users can place orders online. These animals are carefully chosen by Migros-employed veterinaries from producers all over the country and slaughtered on the buyer's behalf in strict accordance with Islamic law. The butchered meat is then packaged and delivered to the customer.

Macrocenter Mobil

A mobile app was developed for Macrocenter, a Migros format that is distinguished by its superior service standards and specially-formulated product portfolio. Thanks also to renovation and strengthening of Macrocenter's online infrastructure, this new Macrocenter app with its user-friendly interface has experienced a significant increase in the number of customers actively using it.

Along with the launching of the Macrocenter mobile app, the service footprint of the format's Macroonline website was expanded beyond just İstanbul to include Ankara, İzmir, Antalya, and Muğla. The website is currently serving customers through 20 stores in 5 provinces.

Macrocenter's telephone order line Macrophone also continues to serve customers through its distribution network in Ankara, İzmir, Antalya, and Muğla.

www.tazedi̇rekt.com

Believing that consumers deserve the best of everything, Tazedi̇rekt continued to serve customers out of its operations center located in İstanbul's Beykoz township. The fresh produce in Tazedi̇rekt's portfolio is carefully picked every day under the supervision of the center's quality team and then packaged for delivery to customers.

The results of a survey that was conducted in 2018 to measure customer satisfaction and loyalty revealed that Tazedi̇rekt is outperforming sectoral averages by a wide margin.

REGARDING CUSTOMERS' OPINIONS AS THE COMPANY'S PRIMARY FOCUS AT ALL TIMES, MİGROS CUSTOMER SERVICES ENGAGES IN A CONSTANT EFFORT TO DEVELOP A SERVICE APPROACH THAT KEEPS CLOSE TO THE CUSTOMER.

39



1.2 million

During 2018, Migros received about 1.2 million instances of customer feedback.

CUSTOMER SERVICES AND SERVICE CHANNELS

All feedback which Migros receives through its 444 1044 customer service hotline and from customers about its Migros, Macrocenter, and Migros Virtual Market operations is recorded, sorted according to subject, and responded to within 48 hours. All communication about Tazdirekt that is received via its 444 7515 Happy Customer hotline is dealt with in the same way. Taking into account changes in consumer habits and needs brought on by the ongoing digital transformation, a Whatsapp line on 530 915 4545 that enables customers to access Migros directly was also added to the company's lineup of service channels.

During 2018, Migros received about 1.2 million instances of customer feedback through all of these channels. Incoming requests and suggestions were dealt with

by appropriate units and 94% of them were resolved within the targeted period of time.

Migros has been awarded TSE ISO 10002 Customer Satisfaction Management System certification. In line with this, it pools together all communications received from every channel along with their outcomes. This information is constantly being reviewed and analyzed in order to make operational improvements. The conclusions of periodic reports based on detailed analyses of feedback are treated as inputs and guidance for making improvements and contributing to corporate development. Regarding customers' opinions as the company's primary focus at all times, Migros Customer Services engages in a constant effort to develop a service approach that keeps close to the customer.







MIGROS OFFERS
ITS EXTENSIVE
LINEUP OF
PRODUCTS AT
COMPETITIVE
PRICES

MIGROS OPERATIONS IN 2018

MIGROS PROVIDES ITS CUSTOMERS WITH MODERN, RELIABLE, ECONOMICAL, AND HIGH-QUALITY SERVICE AT ALL TIMES.

42

7

Migros is the first food retailer in Turkey to be awarded seven quality management system certifications.



QUALITY MANAGEMENT

In order to maintain its position as a retail industry leader in the provision of sustainable quality in line with its strategies and mission, Migros provides its customers with modern, reliable, economical, and high-quality service at all times. Migros is the first food retailer in Turkey to be awarded seven quality management system certifications by the Turkish Standards Institution:

- TS EN ISO 9001 Quality Management System
- TS EN ISO 9001 Quality Management System - Internal Auditing Department

- TS EN ISO 22000 Food Safety Management System
- FSSC 22000 Food Safety Management System
- TS ISO 10002 Customer Satisfaction Management System
- TS 18001 Occupational Health and Safety Management System
- TS EN ISO 14001 Environmental Management System
- Halal certificates

The first retailer in Turkey to be awarded certification of compliance with Part Three ("Validation and verification of greenhouse gas assertions") of the ISO 14064 Greenhouse gases standard, Migros'

We build trust for you.



certification was renewed in 2018 after its corporate greenhouse gas emissions were verified by TÜV Nord Germany.

In 2018 the information published in Migros' 2017 sustainability report under the headings of "Human Rights" (Freedom of Association and Collective Bargaining; Combatting Discrimination, Child Labor, and Forced and Compulsory Labor) and "Product & Supply Chain" was verified in line with GRI standards by Ernst&Young, which issued its "Independent Assurance Statement" accordingly.

Ensuring Product Quality

Guided by global standards in terms of product safety, Migros aims at providing its customers with healthy products in healthy conditions to perpetuate its customers' unconditional safety. In line with this goal, products are meticulously checked at all phases from their purchase until the point they reach the consumer.

Supplier firm audits

In keeping with its responsible retailing approach, Migros monitors its suppliers' practices while also providing its suppliers with assistance and guidance to help them improve their performance. Migros has been auditing its suppliers since 2005. In 2018 these audits were carried out in accordance with internationally-accepted standards.

Suppliers' product safety practices are audited in accordance with the BRC Global Market standards recognized by the Global Food Safety Initiative. The names of suppliers who successfully pass these audits together with their scores are announced on the British Retail Consortium's www.brcdirectory.co.uk website. During 2018, 492 BRC Global Market audits of Migros suppliers were carried out.

Besides making certain that it procures only safe products from its suppliers, Migros also has its suppliers audited to determine their compliance with SMETA (Sedex Members Ethical Trade Audit) 2-pillar auditing criteria. These audits look into suppliers' environmental management, occupational health and safety, ethical behavior, and social responsibility practices and are important to the company's overall sustainability efforts. Suppliers who successfully pass these audits are awarded GC-SEDEX certificates as evidence. During 2018, 460 GC-SEDEX audits of Migros suppliers were carried out.

Suppliers who successfully pass both audits are entitled to receive "GC Migros Approved Supplier" certification.

During 2018, Migros had more than a thousand prime suppliers audited by an accredited independent auditing firm.

New product quality certification

Food and non-food products that are being considered for sale by Migros are first checked according to specifically-prepared manuals. Product labels, the results of product analyses, and producers' and/or manufacturers' licenses are also checked for compliance with the requirements of laws and regulations. Only products that pass all of these examinations are allowed to go on sale.

During 2018, more than 8,600 new products were examined in accordance with this system before being put on sale.

43

Product Analyses

To be sure that items sold on Migros store shelves comply with the Turkish Food Codex, Turkish standards, EU requirements, and all other applicable laws and regulations, the company has verification analyses performed on them by an accredited independent laboratory that specializes in such issues. During 2018, product safety verification analyses were performed on more than 6,600 food items in order to determine their compliance with more than 35,000 quality parameters.

Besides ensuring that customers are buying and consuming safe and wholesome products that comply with the law, these analyses also create added value by serving as scientifically verifiable input that can be used to constantly improve producers' output.

Private-Label Product Development Processes

The production facilities of all firms that supply Migros with its private-label products were inspected. Private-label products are analyzed periodically both by independent accredited firms and by quality control laboratories located in the Company's own distribution centers. A

MIGROS OPERATIONS IN 2018



44



2.5 million

In 2018, quality specialists checked more than 2.5 million food and non-food items for compliance with 138 different parameters.

total of more than 2,000 items were sent for analysis according to more than 10,000 different parameters.

Distribution Center Quality Processes

There are quality control laboratories located in all of Migros' distribution centers. These laboratories are responsible for checking all products sent by suppliers before the goods are accepted. Migros' cold-chain processes, which are of critical importance in ensuring the safety of some food groups, begin at the time goods are accepted and continue without interruption until the moment they reach the consumer.

In 2018 quality specialists checked more than 2,5 million food and non-food items for compliance with 138 different parameters.

Effective Reporting with Uninformed Mobile Store Audits

Migros controls the processes of its five quality management system certificates in its stores by its own quality team and accredited independent external body through uninformed audits.

During 2018, more than 5,400 unannounced inspections were conducted to determine product and service quality. For the conduct of these inspections, an independent laboratory performed more than 20 thousand hygiene analyses of the cleanliness of store personnel, equipment surfaces, and service water.

Migros stores' meat sections were inspected by store quality specialists in order to ensure their compliance with food freshness and safety criteria. More than 1,600 inspections were conducted for this purpose last year and corrective/preventive measures were initiated at points where inspection results indicated that action was needed.

Store audits made in 2018:

- By store quality teams: 1,439 inspections
- By independent accredited firms: 1,752 inspections
- Of perishables sections: 1,648 inspections
- Of Migros Virtual Market: 303 inspections
- Of new and seasonally-open stores' infrastructure and equipment suitability and adequacy: 258 inspections
- Of baked goods sections and sections that prepare hot foods inside Migros stores: 250 inspections

>1,600

Migros store quality specialists performed more than 1,600 process inspections at stores' meat sections to determine if there were any product freshness and/or safety issues.



As a result of the quality management system internal auditor training which it provides, Migros has more certified internal auditors than any other company that has been awarded TSE certification.



QUALITY MANAGEMENT SYSTEMS

During 2018 Migros once again had monitoring and measurement activities carried out as needed to ensure the continuity of the company's existing integrated quality management system certifications. This process involved providing personnel quality training, quality management system internal reviews, and quality management system inspections

conducted by the Turkish Standards Institution (TSE). Working with TSE, 247 company employees were provided with internal-auditor training covering ISO 9001, ISO 14001, and OHSAS 18001 integrated management system issues. As a result of the quality management system internal auditor training which it provides, Migros has more certified internal auditors than any other company that has been awarded TSE certification.

MIGROS OPERATIONS IN 2018



46

freshness at its best

Migros continued to procure chicken, egg, turkey, and raw milk products complying with good agricultural practices principles and procedures and to offer them to customers.



GOOD AGRICULTURAL PRACTICES

Good agricultural practices (GAP) are becoming increasingly more accepted in our country as guidelines for agricultural production methods that are mindful of human and animal welfare as well as of environmental wellbeing. Migros procures food products that have been awarded GAP certification and sells them to its customers.

Good Agricultural Practices: Crop Production

In 2018 Migros launched its Good Agricultural Practices Training & Extension Project in order to promote the adoption and use of GAP principles and procedures. Training was provided to suppliers in a number of provinces under this project.

Migros continued the success of previous years by being awarded the Good Agricultural Practices (GPA) Group Certificate for a 5th time for 12 different kinds of fruit and vegetable products,

after having undergone production and operational area audits carried out by a control certification body authorized by the Ministry of Agriculture and Forestry.

In the twelve months to end-2018, Migros procured food products from more than 900 producers who had been awarded 319 GAP certificates covering 95 groups of fresh produce grown in accordance with GAP principles and procedures.

Good Agricultural Practices: Animal Husbandry

Migros continued to procure chicken, egg, turkey, and raw milk products which complied with good agricultural practices principles and procedures and to offer them to customers.

24

As of end-2018, the total number of Migros' fresh produce and fresh meat distribution centers was 24.



Bursa distribution center was opened in 2018.

DISTRIBUTION CENTERS AND LOGISTICS MANAGEMENT

Service quality and efficiency are foremost among the distribution center and logistics management issues that are focused on. Although having to contend with costlier inputs, 2018 was a year in which the company also effectively managed its costs.

As of end-2018, Migros was conducting its operations through 24 distribution centers, including the fresh-produce and meat distribution centers.

In order to better manage and optimize stores' stock levels, the practice of shipping some product groups on an item-count (rather than whole-lot) basis was extended. This system allows stores to place orders for the exact number of products they want, the effect of which is to reduce unproductive inventory costs.

With the opening of the Bursa distribution center, substantial savings were achieved in the shipping costs of the stores being served by it. Following the expansion of the Ankara Gölbaşı distribution center, the operations of the Ankara Saray and the Saray meat distribution centers were

consolidated there and the Gölbaşı meat distribution center was opened for service. In İzmir province, the Pınarbaşı distribution center was relocated to the premises of the Torbalı distribution center. This consolidation of the two centers' operations improved the efficiency of shipping and handling processes. The expansion and modification projects at the Adana distribution center were completed as planned. A new distribution center was opened in Çorlu for the handling of high-volume goods.

Under the warehouse management system which Migros has developed, the practice of transporting and handling fresh produce only in crates has been extended to embrace all company distribution centers. So too has an address-based stock control system, which allows for more efficient stock management.

The project to ship products to stores during the night has been extended in five regions. By shortening the time between order placement and delivery, this project improves shipping efficiency and makes it possible for goods to enter stores' premises before their doors open to customers.

MİGROS OPERATIONS IN 2018

MİGROS ALSO WORKED ON PROJECTS TO MAKE MORE EFFECTIVE USE OF THE LATEST IT ADVANCES IN RETAILING IN ORDER TO INCREASE CUSTOMER SATISFACTION.

48



Efforts continued to be made to improve and develop information technology business processes.



INFORMATION TECHNOLOGIES

Efforts to improve and develop information technology business processes continued. The company also worked on projects to make more effective use of the latest IT advances in retailing in order to increase customer satisfaction.

Maintenance & Repair Service Process Digitalization:

Digitalization: Known by its Turkish acronym "BOSS", the goal of this project is to digitize all of the maintenance & repair processes in the company's stores. By eliminating paperwork, the project improves efficiency, allows systematic control of previously manual operations, and increases traceability.

Money Transfer Service: This is a project that allows Migros customers to transfer money from one Migros store to another. No bank account is needed to make these transfers and the service is available on weekdays and weekends for as long as the stores are open. Customers can claim the transferred amounts from any Migros store.

BKM Express: This project makes an addition to the checkout counter payment options that are available to Migros customers. It allows them to use the BKM Express mobile app to make their payments from about eight thousand cash registers at any Migros, Migros Jet, 5M, Macrocenter, or Migros Wholesale store anywhere in Turkey.

Migros customers first use the BKM Express app installed on their mobile device to generate a passcode from the app's "Migros Cash Register Payment" option. They then show or read this passcode to the cashier, who uses it to effect the payment, thus eliminating the need for cash or for payment cards when checking out.

6,500

During 2018, Migros received more than 300 thousand job applications and hired a total of 6,500 new personnel.



49



HUMAN RESOURCES & TRAINING

Migros Human Resources aims to have human resources who will support the Company's efforts to further strengthen its leading position in its industry by being knowledgeable, customer- and process-focused, resourceful, and dynamic. In line with this approach, the Company's human resources policy is rooted in the philosophy of "Creating employees who will create competitive advantages".

Taking the company's both direct and indirect employment into account, Migros is a young and energetic family some 45,000 strong. The average age of the company's personnel is 31, which puts them predominantly in the "Generation Y" (born between 1980 and 2000) age group. 40% of the company's employees are female, which ranks Migros in the forefront of companies that provide women with job opportunities. The average current length of service among white-collar employees is ten years. In order to strengthen Migros' brand image as a good employer and to enhance employee loyalty, the company launched

its "A Good Job Will Do You Good" campaign in 2014. This campaign was continued in 2018 through various projects.

In 2018, Migros received more than 300 thousand job applications and hired a total of 6,500 new personnel. The company continued to make use of its internal transfer system to fill vacancies last year: 580 positions were filled in this way during 2018.

Migros seeks to recruit talent that is the most suitable for realizing its corporate strategies and goals while also training its future leaders. To this end, the company has set up a long-term traineeship program called "SMART", whose aim is to reach out to talented young university students and provide them with a genuine work experience that will help contribute to their personnel and professional development.

Migros continued to manage its career planning and promotion processes by means of its Store Career Paths Program. This program, which allows employees in all stores and departments to manage

MIGROS OPERATIONS IN 2018

THE RECIPIENT OF MANY INTERNATIONAL AWARDS AND RECOGNITIONS, MIGROS RETAILING ACADEMY BROUGHT HOME TWO THAT HAD NEVER BEEN RECEIVED IN TURKEY BEFORE.

50

their own career systematically, fairly, and objectively, is the recipient of a "Most Successful Human Resource Practices" award. Some 98% of Migros' store management personnel are recruited from the Company's own human resources.

Specifically designed to be fair, consistent, and transparent, Migros' human resources evaluation systems make use of the most advanced technology and the most effective methods.

A Goal-Awareness Workshop is conducted every year in order to ensure that the company's targets and strategies are fairly, equally, and clearly understood by all Migros employees. The employees at manager level or higher representing all company departments attend and play an active role in this workshop, which provides a setting for effective communication in order to ensure that all of the objectives supporting the company's basic strategies are agreed upon and objectively made known to all departments.

In the conduct of administrative unit and store white collar personnel performance management processes, more than 8,500 evaluations are made every year. Another and more comprehensive performance evaluation is embodied in the Store Personnel Performance Management process that is conducted at six-month intervals. Under this program, close to 23,500 store personnel on average are evaluated twice a year by service quality and job performance managers, who rate employees on the basis of eight basic competencies identified as being essential in the retailing industry and who also quantify their professional skills. The results of these performance evaluations play a determinative role in employees' career and progression plans.

A 360° Competency Evaluation System and the proven-effective competency-assessment tools of an independent consultancy are used in order to identify the competency areas in which Migros administrative-unit and store-management personnel are strong or are in need of development and to formulate effective progression plans.

A "Working Life Assessment Survey" is conducted every year by an independent research company in order to measure and further improve the levels of Migros employees' job satisfaction and company loyalty. The goal of this survey is to determine and prioritize issues that are in need of improvement. Migros was an award recipient in the 2017 round of the Aon Best Employers Program.

Migros Retailing Academy (MRA), a program that is conducted in order to contribute towards employees' development and to raise qualified labor force, seeks to develop human resources in line with the Company's corporate priorities and with individual and sectoral needs so as to achieve the Company's strategic objectives. MRA designs the most effective models, methods, and tools for use in Migros employees' career development.

MRA's curriculum consists of numerous classroom courses, e-learning programs, training videos, and a recommended-reading list of magazine articles and books. "Virtual classroom" methods allow instructors and trainees to interact. An in-house mentoring system provides

853 thousand

Company employees were provided with 853 thousand training opportunities during 2018.



developmental support by creating opportunities to exchange knowledge and experience that goes beyond training.

Taking on-the-job, classroom, and online programs into account, company employees were provided with 853 thousand training opportunities during 2018.

Developed in collaboration with Anadolu University, the Migros Retailing Program gives high school graduates a chance to earn a university-equivalent degree in just two and a half years and thus overcome their lack of academic credentials. Another program conducted in collaboration with Georgia State University gives store managers a chance to learn about new trends and developments in retailing that are taking place around the world and also to visit some of the world's biggest retailers in the United States. A pre-MBA program developed jointly with Koç University gives Migros managers a chance to expand their management vision and skills.

The Koç University Migros Retailing Forum (KÜMPEM), another collaboration with that institution, organizes retailing conferences which are attended by leading Turkish and international academicians and professionals and which serve as platforms for the exchange of knowledge and experience.

To meet the need for qualified employees in the sector, the partnerships that the Company entered into with Ege University and Anadolu University also continued in 2018.

In order to support digital transformation processes and foster awareness of them among employees, training courses and conferences addressing technology, digitalization, and innovation issues were organized under the overall theme of "Catch The Change" while "Agile Discovery" workshops that were conducted to support business units provided personnel with opportunities to get hands-on experience with technology products and to hear experts talk about the latest trends in the digital world.

Employees are made aware of important issues on the company's agenda such as sustainability, corporate policies, and data security through gamified training programs. Migros personnel can access all online training whenever they want and wherever they may be from the company's e-learning platform www.akademig.com and its Migros Sosyal social learning platform. Employees' development is constantly supported by means of digital training platforms that are kept up to date in line with changes in technology and learning methodologies.

Located at www.akademig.com, Migros' e-learning platform provides employees with access to all online training resources from their own computers and mobile devices.

The success of Migros Retailing Academy is attested to by the thirty-six awards that it has garnered as a finalist in competitions organized by institutional academies and corporate training units all over the world.

MIGROS OPERATIONS IN 2018

MIGROS STRIVES TO MAINTAIN A HEALTHY AND SAFE WORKPLACE ENVIRONMENT THAT WILL ENSURE THE CONTINUED SUSTAINABILITY OF ITS OPERATIONS.

52



Wholesome meat at Migros...

HEALTH & SAFETY

Migros strives to maintain a healthy and safe workplace environment that will ensure the continued sustainability of its operations. In line with this, an ongoing effort is made to create a shared safety culture to which all of its employees and customers also contribute and to help promote safety habits in society as a whole.

The Occupational Health & Safety Committee that was set up at the company in 2013 to plan and oversee corrective and preventive safety measures referred to in risk-assessment reports continued its efforts to constantly improve Migros' OHS performance in 2018. In keeping with this, risk assessments were conducted at stores, headquarters units, distribution centers, produce warehouses, and MiGET facilities. Risk assessments were also conducted at the premises of newly-opened workplaces and the requirements of all OHS documentation were fulfilled without exception.

Prospective employees are given physical examinations (including lab checkups) during the hiring process. Polyclinic services are provided by workplace physicians who, in the conduct of their regular supervisory activities, also periodically checked the health of 10,104 employees last year. Workplace physicians likewise initiated medical treatment procedures in the case of employees whose checkups revealed the existence of medical issues.

In addition to being provided with training on OHS issues when they are first hired but before they actually start doing their jobs, Migros employees are also given refresher OHS training at regular intervals. Classroom training is reinforced by means of distance-learning resources that are available at all locations. During 2018, basic occupational health and safety classroom training was provided to 21,406 employees.

21,406

During 2018, basic occupational health and safety classroom training was provided to 21,406 employees.



All equipment that company employees use in the performance of their jobs is periodically checked by accredited agencies to ensure that the equipment satisfies OHS requirements.

Employees were provided with firefighting, search & rescue, earthquake response, and evacuation training by fire department officers, specialized firms, and workplace safety specialists as called for in the Company's Emergency Action Plan.

Outside consultants accompanied by OHS managers visited all business units whose OHS processes and practices are subject to inspection and for which corrective/preventive measures are planned when necessary. A total of 523 planned OHS inspection visits were conducted during 2018.



As a board member of the Consumer Goods Forum (CGF), Migros is a participant of the Employee Health and Welfare Working Group, which steers the global sector with the best practices. CGF members are committed to implement employee health and welfare programs.

The program includes healthy practices with regard to providing employee welfare, activity and feeding programs, encouraging employees to take conscious choices and become more physically active, supporting general physical and mental health.





**MIGROS CARES
ABOUT ITS
EMPLOYEES' AND
CUSTOMERS'
FUTURES**

THE MIGROS APPROACH TO SUSTAINABILITY

FIVE YEARS AGO MIGROS BECAME THE FIRST—AND IS STILL THE ONLY—FOOD RETAILER IN TURKEY WHOSE EFFORTS ON BEHALF OF SUSTAINABILITY QUALIFIED ITS PUBLICLY-TRADED SHARES FOR INCLUSION IN THE BIST SUSTAINABILITY INDEX.

56

Migros addresses sustainability issues in terms of their environmental, social, and economic dimensions. All company decisions and actions are considered in light of national and international key performance indicators. Sustainability is a fundamental responsibility of every Migros employee. The membership of the Migros Sustainability Committee, which was set up to manage, monitor, and deal with sustainability issues, consists of managers representing all of the company's key functions. At least one of the annual targets of every key function at the company must be concerned with addressing a sustainability issue.

Migros is also a member of the Consumer Goods Forum (CGF), a global umbrella organization of the world's leading retailers and manufacturers that provides the consumer goods industry with guidance on ways to conduct its activities more sustainably. Represented on the CGF Board of Directors by its CEO, Migros has committed itself to making improvements in the four areas that are the organization's primary focus: Sustainability, Health & Wellness, Product Safety, and End-to-End Value Chain & Standards.

Since 2017, Migros has been publishing a sustainability report that conforms to internationally-accepted GRI standards. These reports are accessible to all stakeholders on Migros' migroskurumsal.com corporate website. Owing to its commitment to dealing with sustainability issues, Migros' shares qualified for inclusion in the Borsa İstanbul sustainability index as of the first year that the report was published, thereby making the company Turkey's first and the only food retailer to have been included in that index for five years in a row. Migros' shares also qualified for inclusion in the FTSE4Good Emerging Index for the last three years. With the plan to combat climate change that it submitted to the Carbon Disclosure Project, Migros was included in the ranks of Turkey's CDP Climate Leaders in 2016 and 2017. In 2018, the company published its first CDP Water report as well.

Corporate Social Responsibility

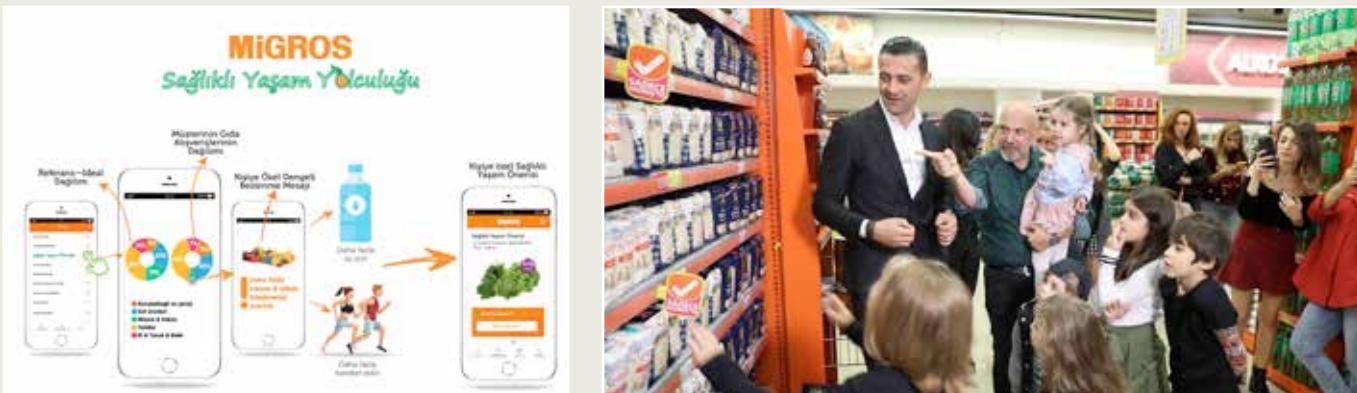
Informing its operations with an awareness of its responsibilities towards people, the environment, and future generations, Migros marshals both its own corporate resources and the voluntary efforts of its employees in order to undertake many different projects in areas in which it perceives there to be social benefit.

Journey to Healthy Living

The Journey to Healthy Living project that was launched in 2018 seeks to create awareness about balanced nutrition, being physically more active, drinking sufficient amounts of water, oral and dental hygiene and care, and changing one's behavior for the better.

The Journey to Healthy Living project was created to help Migros customers be more aware of healthy lifestyle issues when making their shopping choices and to change their behavior for the better. In the Journey to Healthy Living section of Migros' mobile app, customers who are also Money Club members can compare their own food purchases with an ideal breakdown of primary food groups in order to determine the most balanced nutrition according to their daily energy requirements. Messages and personalized product campaign suggestions are sent to users when it appears that they are consuming less than ideal amounts of nutritionally essential foods.

Having begun with a focus on balanced nutrition, a new mobile app feature was added to the Journey to Healthy Living campaign that seeks to create awareness of oral and dental hygiene and care. With the addition of "Oral care" to the mobile app's Journey to Healthy Living tab, users



receive personalized messages about oral and dental care products.

This pioneering Migros mobile app was cited as an excellent example by the Consumer Goods Forum at the Sustainable Retailing Summit which was held in Lisbon and which was attended by some of the world's leading retailers and manufacturers. It attracted great attention there as a first among next-generation retailing practices.

Family Clubs

Working together with county-level public education centers, Migros has initiated a "Family Club" project for the benefit of men, women, and children of every age. These clubs, which are increasing in number as they continue to expand into more and more parts of the country, provide free-of-charge occupational and talent development courses and also opportunities to meet socially with other people who have similar interests.

Family Club offerings cover 63 different activities that include baking and cooking, embroidery, jewelry-making, pottery-making, leatherworking, paper marbling, painting ceramics, painting wood, oil-painting, diction, pilates, foreign language training, public speaking, and photography. Currently being provided in twenty locations in sixteen provinces,

Family Club occupational and talent-development courses were attended by more than 31,400 registered members in 2018. In addition, 18,599 people attended the 670 Family Club events that were organized during the year.

Seeking to contribute to child development, Family Clubs also provide children with opportunities to explore art, music, chess, and similar activities. Workshops focusing on such things as computer programming, sustainability, and zero waste are similarly organized to teach children about such things and to stimulate their imaginations.

Some of the women attending these Family Clubs being organized all over the country have gone into business for themselves after being awarded education ministry-approved certificates.

"I'm growing up healthy with Migros"

Believing that awareness of being healthy and living well depends on habits that are acquired at an early age, Migros initiated "I'm growing up healthy with Migros", another public-health project that focuses on balanced nutrition and physical activity.

Migros has been organizing "Good Life" tours of its stores for children since 2016. Children taking part in Migros Good Life

programs are given information on a host of subjects ranging from the benefits of fresh fruits and vegetables to the checks that foods undergo before they are allowed on store shelves and from good agricultural practices to tips on how to read labels correctly. Children are also told about the benefits of the waste-collection bins in stores and how they are contributing to a better future by bringing in waste for recycling.

Migros store tours also draw attention to the importance of balanced nutrition and physical activity and children taking part in these tours are also given copies of The Migros Guide to Growing Up Healthy.

In the course of 24 years, the Migros Children's Theater Festival held every year on April 23rd has entertained a million children free of charge. The performances given during the most recent three years focused on the "Good Life" themes in The Migros Guide to Growing Up Healthy prepared by the Food Safety Association.

The training and other activities organized under the "I'm growing up healthy with Migros" project have reached out to 160,627 children over the last three years.

THE MIGROS APPROACH TO SUSTAINABILITY



58



“Respect For Food” project

Last year Migros began sending fruits and vegetables which do not look good enough to put on its shelves for sale but which are still nutritionally wholesome to food banks and other charitable outlets on a daily basis. By matching possible food donations shown on a digital platform and requests, Migros makes certain that the donated items are being properly used. The 528 tons of food that Migros donated in this way in 2018 were enough to provide 1,124,023 meals to needy individuals. Since the start of this project, Migros has donated a total of 586 tons of food or enough to make 1,246,808 meal portions.



“Leftover Fresh Food For Our Four-Legged Friends” project

Since 2014 Migros has been conducting its “Leftover Fresh Food For Our Four-Legged Friends” project to feed wildlife, stray animals, and animals kept in shelters. The aim of this project is to keep from throwing away food products that are still edible simply because the products have approached their sell-by date. In 2018, 641 tons of food were donated to charitable organizations for them to use in this way. The company has contributed to the feeding of animals in distress by providing a total of 1,023 tons of food assistance to date.



Other Social Responsibility Activities

By identifying areas in which there is a social need and by undertaking projects to address those needs, Migros further strengthens the impact of its social responsibility efforts. For this reason Migros also engages with its stakeholders in a variety of projects in the areas of education, sport, and health.

In 2016 “Special Support For Athletes With Special Needs” was retooled as a project for children with special needs in the 2-7 age group. Under this project, a portion of the proceeds from the sale of Proctor & Gamble products at Migros stores is donated to the Turkish Committee of the International Special Olympics to fund its campaign focusing on increasing the children’s coordination

283 thousand

Since 2010, Migros has supported the donation of more than 660 thousand garments to 283 thousand children.



skills and on helping them to socialize by interacting positively with other kids their own age. The 9 million Migros customers who have taken part in this project in the course of 15 years have made it possible for 6,034 youngsters and children with special needs to take part in sports.

Under the "Clothes Donation Campaign" that Migros has traditionally been conducting jointly with Ariel (a P&G detergents manufacturer), the company has supported the donation of more than 660 thousand garments to 283 thousand children since 2010.

Migros No-Handicap Project

Migros launched a "No-Handicap Store" project in order to consolidate all of the special services which its stores provide to make shopping easier for handicapped and elderly customers. After undergoing pilot trials in 2016, the full-fledged project was introduced at 48 Migros and Macrocenter stores in 12 provinces in 2017. The project was rebranded as the "Migros No-Handicap Project" in 2018 after its scope was expanded with the inclusion of Migros Virtual Market.

Both the market's website and mobile app have been updated to make them compatible with screen-reader programs that visually-impaired people use. The number of Migros and Macrocenter stores that have been remodeled to make them compatible with the requirements of the Migros No-Handicap concept was

increased. Last year the number of such stores reached 200 in 50 of Turkey's provinces.

Migros has launched a "No-Handicap Store" project in order to consolidate all of the special services which its stores provide to make shopping easier for handicapped and elderly customers. After undergoing pilot trials in 2016, the full-fledged project was introduced at 48 Migros and Macrocenter stores in 12 provinces in 2017. Migros and Macrocenter stores which have adopted the "No-Handicap" concept have at least one employee on duty who is trained in sign language in order to help hearing-impaired customers and this person wears a badge that indicates this; for the benefit of customers who are confined to wheelchairs, there are wheelchair access ramps equipped with guardrails at the stores' entrances and store aisles are designed so as to be wide enough for wheelchairs to get around. These stores also provide wheelchair shopping carts for elderly customers. At least one of the checkout aisles at these stores is designed to allow the wheelchairs to pass and the aisle is visibly indicated with a unique sign. Handicapped shoppers are given priority at such aisles. Upon request, a handicapped or elderly customer at a Migros No-Handicap store can be assigned a Migros employee to accompany them around the store while they do their shopping.



Migros and Macrocenter stores which have adopted the "No-Handicap" concept have at least one employee on duty who is trained in sign language in order to help hearing-impaired customers and this person wears a badge that indicates this.



Turkey's
Most Admired
Company
15th
in a
row

95,81%
Our Corporate
Governance Rating

According to
the Fortune
500 Turkey
Survey
16th
largest
company

According to
the Capital 500
Survey
15th
largest
company



3rd
in a
row

We are listed in the
FTSE4GOOD
Emerging Markets Index*



We are reporting to
CDP Climate Change
& CDP Water

60

OUR ENVIRONMENTAL PERFORMANCE



Our Carbon Footprint

8.5% decrease - We surpassed our annual target of reducing the daily CO₂ emissions per sales area by 1.5%

Target: **13% decrease** - Up to 2022, reducing the daily CO₂ emissions per sales area compared to 2015



Our Water Management

1.75% decrease - We surpassed our annual target of reducing consumption per employee by 1%

Target: **6% decrease** - Up to 2022, reducing the annual water consumption per employee compared to 2016



Our Energy Management

6.6% decrease - Decreased energy consumption compared to 2013, which equals to 105,600 families' monthly consumption of electricity

Target: **13% decrease** - Up to 2022, reducing the daily electric consumption per sales area compared to 2013

*These are 2017 data. The data of 2018 is not verified yet.

Our Practices to Prevent Food Waste Respecting Food Project

1,124,023
meals
worth of food were
donated to food banks
and social markets



Organic Waste Recycling

5,281 tons
of organic waste
is recycled



Thus,
enough energy was produced to run a 100
watt bulb for **11 million hours**

Fresh Leftovers to Our Four-Legged Friends



641 tons
of food used to feed stray animals
and animals kept in shelters



327 tons
of food were given for the
feeding of farm animals

Our Recycling Practices



17,089 tons
of non-hazardous
wastes were recycled



this corresponds
to saving
110,810
trees

28 tons
of waste oil
are collected



3.5 tons
of waste
batteries
are sent to
recycle



We also collected waste oil and batteries from
our customers' homes via the Migros Sanal Market
project

4,589 tons
of packaging waste from
Migros' PL products were
collected to recycle



We collected
211 tons
electrical and
electronic waste

<h3>Our Corporate Social Responsibility Practices</h3> <p>WellBeing Journey</p> <p>We raised awareness of 1.3 million customers on healthy living via Migros Mobil. 51% of them changed their behaviour towards balanced nutrition.</p> <p>Events via dietitians and dentists in 26 stores & 3 festivals</p> <p>Face-to-face trainings to 33,250 consumers on balanced nutrition and oral-dent care</p>	<h3>Family Clubs</h3> <p>Free vocational trainings and skills development courses in 16 cities and 20 locations</p> <p>In 2018, 31,437 official members, 670 events, 18,599 participants</p>	<h3>Growing up Healthy with Migros</h3> <p>In 3 years, we provided good living & conscious shopping trainings to 160,627 children at 396 Migros stores in 70 provinces</p>
<h3>Accessible Migros</h3> <p>200 Accessible Stores in 50 cities</p> <ul style="list-style-type: none"> ✓ Making Migros Sanal Market's website & mobile app suitable for visually impaired people ✓ In accessible stores, employees using sign language ✓ Wheelchair-friendly store design ✓ Prioritized check-out for elder & disabled people ✓ Shopping support service 	<h3>Other CSR Projects</h3> <p>In 15 years, with the support of our 9.5 million customers, 6,034 youngsters with special needs played sports</p>	<p>In 8 years, 660,000 clothes donated to 283,000 children</p>
<h3>Our Product Management</h3> <p>Products Supporting Wellbeing</p> <p>We offered 1,312 products supporting healthy lifestyle in 2018</p> <p>180 of these products are from our private labels</p> <p>195 of our PL products have information about 7 main nutrients on their package</p>	<p>54 Anatolian Tastes products are produced by local seeds with using century old recipes</p> <p>We sold 560 tons of organic fruits and vegetables</p> <p>10% of chicken products 25% of eggs sold in 2018 were organic</p>	<p>We have sold 663,565 tons of fruits and vegetables certified by GAP* for 8 years</p> <p>In 2018 we provided products certified by GAP* from 936 farmers</p> <p>GAP* certified chicken & turkey meat were provided from 12 suppliers</p> <p>*Good Agriculture Practices</p>
<p>In 2018, 491,690 liters GAP* certified raw milk sales</p> <p>In 2018 sales, 100% of chicken & turkey meats are certified by GAP* and checked via 317 control criteria</p>	<p><i>In MIGET, Turkey's largest fresh meat processing plant,</i></p> <p>Our meat products pass through 220 checkpoints</p> <p>We produce red meat products and meatballs which are ready to cook with the brand of Uzman Kasap untouched by human hands</p>	<h3>Our Activities to Reduce Deforestation</h3> <p>To date, we have supported to plant 543,350 olive trees</p>

OUR ECONOMIC PERFORMANCE

81 provinces
In Turkey



Operations in
Kazakhstan &
Macedonia

2,103 stores

x2
Doubled
number of stores
in 5 years



In 2018,
238
new stores added

Growth
2 times
in **3**
years

Annual sales
growth of
22%



Migros reaches
87% of
households

Family of
45,000
working for
Migros

6,500
new hires
in 2018



54%
of our
employees
work in their
hometowns



62

OUR SOCIAL PERFORMANCE

Our Human Resources



95%
in stores



68%
stationed out of
Istanbul



40%
woman
employment



98%
of our management
team is from
company's own HR



Average seniority
rate for store management
and administrative units
10 years



81%
generation Y

Our Contribution to Employee Development



853,000
on-the-job, in-class,
online trainings
to employees in total

2,156
employees benefited from
23
different Employee
Health & Wellness
practices

36,731
employees got trainings on
our Corporate Policies

Health & Safety



21,406
employees got OHS trainings

115,420 **228,032**
hours
in-class
modules via
e-learning



6%
decrease in number of
lost days caused by
work accidents



Quality Management

Migros Quality Certificates



Quality Management
System



Environmental
Management System



Occupational Health
and Safety Management
System



Food Safety
Management System



Customer Satisfaction
Management System



Food Safety
Management System



Halal Certificate

We conducted
952
supplier audits* in 2018

Our product safety audits
were conducted via
'BRC Global Market'
ethical and social audits via
'GC-SEDEX'

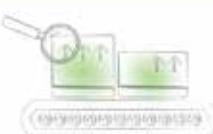


6,666 products
are analyzed in accredited
labs in accordance with
34,542
parameters

*Verified by an independent audit company



57%
of our suppliers
received the "GC Migros
Approved Supplier"
certificate as a result of
annual audits



2,346,000
products were controlled
according to quality
standards in distribution
centers



4,974
unannounced audits
to our stores.

More than
20,000
store hygiene
analysis

Our Customer Relations Practices



In social
media,
we have followed
up and analyzed
1.43 million
different posts

Via our call center;
Whatsapp and
mobile channel;
direct contact with
1,200,000
customers

We conducted
consumer and
trend researches
covering
64,000
people



To read 2018 Sustainability Report
kindly scan the QR Code.

www.migroskurumsal.com/en/

2018 ORDINARY GENERAL ASSEMBLY MEETING AGENDA

MİGROS TİCARET A.Ş.

Date: 16 May 2019

Time: 14:00

Venue: Atatürk Mahallesi Turgut Özal Bulvarı No: 7 34758 Ataşehir - İstanbul

1. Opening the meeting and electing the presiding committee; authorizing the presiding committee to sign the minutes of the annual general assembly meeting,
2. Reading and deliberating the annual report concerning the Company's 2018 activities and accounts,
3. Reading the independent auditor's report concerning the Company's 2018 activities and accounts,
4. Reading, deliberating, and voting on the financial statements for 2018,
5. Individually acquitting each of the members of the Company's board of directors of their fiduciary responsibilities for the Company's activities in 2018,
6. Discussing, approving, amending and approving, or rejecting the Board of Directors' proposal concerning dividend distribution,
7. Election and replacement of the independent Board members and other members of the Board of Directors nominated by the Corporate Governance Committee, and determination of their terms of office,

8. Determining the gross monthly fees and any kind of financial benefits including bonus, premium, attendance fee, etc. to be paid to the Board members,
9. Approval or rejecting of the proposal of the Board of Directors in relation to the amendment of the current content of article 3 titled "Purpose and Scope" of Articles of Association of our Company provided that the necessary permissions of the Capital Markets Board and Republic of Turkey Ministry of Customs and Trade have been received and in the form which received the permission, and authorization of the Company Management to conduct all other transactions related to the amendment of the Articles of Association,
10. Providing information about the socially beneficial donations and assistance granted by the Company to foundations and associations in 2018; determining an upper limit on donations and assistance to be granted in 2019 as required by Capital Markets Board regulations and the Company's Articles of Association,
11. Voting on the Board of Directors' selection, upon the recommendation of the Audit Committee, of the Company's independent auditors as required by Communiqué on capital market independent auditing standards published by the Capital Markets Board and by the Turkish Commercial Code,
12. As required by Capital Markets Board regulations, providing information about collateral, pledges, and mortgages granted by the Company in favor of third parties in 2018,
13. Providing information about the utilization of separation fund for Kipa shareholders in 2018 in related to the merger of Migros Ticaret A.S. and Kipa Ticaret A.S.,
14. Authorizing any shareholders who may be in control of the Company's management, Board of directors and senior managers – as well as their spouses and their relatives, whether by blood or marriage unto the third degree – to engage in business and transactions subject to the provisions of articles 395 and 396 of the Turkish Commercial Code and of Capital Markets Board regulations; providing shareholders information about such transactions made by these aforementioned persons and related parties in 2018,

BOARD OF DIRECTORS REPORT

Board of Directors

Tuncay Özilhan	Chairman
Nikolaos Stathopoulos	Vice-Chairman
Salih Metin Ecevit	Member
Talip Altuğ Aksoy	Member
Kamilhan Süleyman Yazıcı	Member
Stefano Ferraresi	Member
64 Salim Abdullah Khalfan Al Ma'mari	Member
Ömer Özgür Tort	Member and General Manager
Izzet Karaca	Independent Member
Hüseyin Faik Açıkalın	Independent Member
Şevki Acuner	Independent Member
Tom Heidman	Independent Member

Audit Committee

Izzet Karaca	Committee Chairman	Non-executive
Şevki Acuner	Committee Member	Non-executive

Corporate Governance Committee

Hüseyin Faik Açıkalın	Committee Chairman	Non-executive
Kamilhan Süleyman Yazıcı	Committee Member	Non-executive
Recep Yılmaz Argüden	Committee Member	Non-executive
Affan Nomak	Committee Member	Investor Relations Group Manager

Early Detection of Risk Committee

Tom Heidman	Committee Chairman	Non-executive
Talip Altuğ Aksoy	Committee Member	Non-executive
Hüseyin Faik Açıkalın	Committee Member	Non-executive

Board of Directors

The Migros Board of Directors consists of twelve members: Tuncay Özilhan (Chairman), Nikolaos Stathopoulos (Vice-Chairman), Salih Metin Ecevit, Talip Altuğ Aksoy, Kamilhan Süleyman Yazıcı, Stefano Ferraresi, Salim Abdullah Khalfan Al Ma'mari and Ömer Özgür Tort (members), İzzet Karaca, Hüseyin Faik Açıkalın, Şevki Acuner and Tom Heidman (independent members).

At the Company's annual general assembly meeting on 15 May 2018, Tuncay Özilhan, Nikolaos Stathopoulos, Salih Metin Ecevit, Talip Altuğ Aksoy, Kamilhan Süleyman Yazıcı, Stefano Ferraresi, Salim Abdullah Khalfan Al Ma'mari and Ömer Özgür Tort were elected to seats on the Board of Directors as board members while İzzet Karaca, Hüseyin Faik Açıkalın, Şevki Acuner and Tom Heidman were elected to serve as independent board members until the general assembly meeting during which the Company's 2018 accounts will be discussed. According to the Board of Directors decision passed on 20 June 2018, Tuncay Özilhan was elected as the Chairman of the Board and Nikolaos Stathopoulos as the Vice-Chairman.

At the general assembly meeting held on 15 May 2018, shareholders voted to pay independent board members an annual total remuneration of TRL 110,000 (net) in monthly installments, to pay independent board members residing abroad an additional attendance fee of TRL 8,000 (net) for each board meeting they attend, and not to pay any monthly salary and/or attendance fee to other board members.

The Board of Directors is authorized to take decisions about all matters except those which are reserved to the general assembly under the Turkish Commercial Code or by the Company's articles of association.

Under article 17 of the articles of association, board members serve for three-year terms unless a shorter term of office is specified at the general assembly meeting at which they are elected. A board member whose term of office expires may be reelected. Shareholders assembled in a general assembly meeting may, for just cause and at any time that they deem such action to be necessary, dismiss any board member whether or not such an item is on the meeting agenda.

In compliance with CMB regulations and the provisions of the Turkish Commercial Code, an audit committee, a corporate governance committee, and an early detection of risk committee have been set up at the Company. The duties of a nominating committee and of a remuneration committee are performed by the Migros Corporate Governance Committee.

In our Company's Board of Directors meeting dated 20 June 2018, it was decided that

- The Audit Committee will consist of two independent directors. İzzet Karaca and Şevki Acuner were elected to fill these seats, with İzzet Karaca being chosen to serve as the committee chairman.
- Hüseyin Faik Açıkalın, Kamilhan Süleyman Yazıcı, Recep Yılmaz Argüden and Affan Nomak were elected to seats on the Corporate Governance Committee, with Hüseyin Faik Açıkalın being chosen to serve as the committee chairman.
- Tom Heidman, Talip Altuğ Aksoy and Hüseyin Faik Açıkalın were elected to seats on the Early Detection of Risk Committee, with Tom Heidman being chosen to serve as the committee chairman.

Senior Management

Under Migros' articles of association, senior executives are chosen and appointed by the Board of Directors.

In 2018 Migros Senior Management consisted of Ömer Özgür Tort (General Manager) and of Ahmet Fuat Yanar, Erkin Yılmaz, Demir Aytaç, Cem Lütfi Rodoslu, Hakan Şevki Tuncer, Tarık Karlıdağ, and Mustafa Murat Bartın (Assistant General Managers).

BOARD OF DIRECTORS REPORT

At a meeting of the Board of Directors on 25 December 2018, it has been decided as follows:

- Information Technology and Business Development Director Kerim Tatlıcı was appointed as Assistant General Manager for Information Technology and Business Development effective 1 January 2019.
- Distribution Centers and Logistics Director Bülent Kuntay was appointed as Assistant General Manager for Distribution Centers and Logistics effective 1 January 2019.
- Due to the retirement of Erkin Yılmaz, who was serving as Assistant General Manager for Financial Affairs, effective 31 January 2019, the Company's Finance Director Ferit Cem Doğan was appointed as his successor effective 1 February 2019.
- Due to the retirement of Demir Aytaş, who was serving as Assistant General Manager for Human Resources, Industrial Relations and Training, effective 31 January 2019, the Company's Human Resources Director Olcay Yılmaz Nomak was appointed as his successor effective 1 February 2019.

Independent Auditing

At a meeting of the Board of Directors on 28 March 2018, the board, acting upon the recommendation of the Audit Committee and in compliance with the requirements of CMB Communiqué on capital market independent auditing standards (Serial: X, No: 22 and of the Turkish Commercial Code, decided to select PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. to be the Company's independent auditor for 2018 fiscal year subject to the provisions of capital market laws and regulations and of the Turkish Commercial Code. This decision was approved at the general assembly of shareholders on 15 May 2018.

Changes in the Articles of Association

As stated in the Company's material event disclosure of 21 March 2018, at a meeting of the Board of Directors on 21 March 2018, it was decided that our Company, which is subject to the share capital system, would switch to the registered capital system, the authorized capital would be set as TRL 500,000,000.- and accordingly, "Article 7 – Capital" of the Company's articles of association would be amended.

Necessary permissions were received for the amendments to the articles of association from the Capital Markets Board of Turkey (CMB) and the Ministry of

Customs and Trade. The said amendments to the articles of association have been ratified at the annual general assembly meeting convened on 15 May 2018, and the amendment was registered with the Trade Registry on 1 June 2018. Hence, the Company switched to the registered capital system and the authorized capital was defined as TRL 500,000,000.-.

The Board of Directors decision for increasing the capital of Migros from TRL 178,030,000 to TRL 181,054,233 due to the merger of Migros and Kipa Ticaret A.Ş. ("Kipa") and the draft amendment as "Former Version – New Version" in relation to "Article 7 – Capital" of the articles of association have been disclosed in the material event disclosure dated 26 July 2018.

The said merger and capital increase decision was registered on 31 August 2018. Within this context, the article titled "Capital" of the Company's articles of association has been amended. Hence, the capital of Migros was raised to TRL 181,054,233 from TRL 178,030,000.

The Company's current articles of association is available under the Investor Relations tab on the corporate website at the address www.migroskurumsal.com and on the Public Disclosure Platform (KAP).

Changes in Paid-in Capital during the Reporting Period

During the reporting period, the Company's capital was raised from TRL 178,030,000 to TRL 181,054,233.

As stated in the Company's material event disclosure dated 26 July 2018, it was publicly disclosed that it was decided to raise the Company capital by TRL 3,024,233 within the frame of the simplified merger of Migros with Kipa, hence, to increase the Company's capital from TRL 178,030,000 to TRL 181,054,233 and to amend "Article 7 – Capital" of the Company's articles of association.

In a material event disclosure dated 1 August 2018, the Company publicly disclosed that the CMB has approved the application for the approval of the issuance certificate in relation to the capital increase.

The said capital increase has been registered with İstanbul Trade Registry on 31 August 2018.

Migros' Position in the Sector and Investments in 2018

Migros Ticaret A.Ş. operates in the foods and consumer products sector. The Company is both a retailer that sells such products directly to consumers and a wholesaler that sells them to other retailers. The Company also operates shopping malls in Turkey and in other countries through its foreign subsidiaries.

As of end-2018, the Company reached 2,103 stores consisting of:

- 656 M, 367 MM, 134 MMM, 776 Migros Jet, 56 hypermarket, 51 Macrocenter, and 19 Wholesale stores located in all 81 cities of Turkey, and
- through its international subsidiaries, 26 Ramstores in Macedonia, 17 Ramstores and 1 Macrocenter in Kazakhstan.

During the reporting period, a given number of Uyum stores in İstanbul, and Tekirdağ and Makromarket stores in Antalya were acquired through takeover of their lease contracts, and were soon transformed into Migros format.

In 2018, new openings by Migros consisted of 126 Migros (79 M, 41 MM, and 6 MMM), 95 Migros Jet, 7 Macrocenter, 2 hypermarket and 3 Wholesale stores in Turkey; in its international operations, 5 Ramstores opened. Thus, a total of 238 new store investments went into service last year.

Migros - Kipa Merger

In a material event disclosure dated 18 April 2018, it has been disclosed that it was resolved to merge Kipa into Migros based on the consolidated financial statements of Migros dated 31.12.2017 and financial statements of Kipa dated 31.12.2017, through takeover of Kipa's assets and liabilities as a whole, pursuant to the Capital Markets Board ("CMB") Communiqué no. II- 23.2 on Merger and Demerger and other relevant legislation, as well as Articles 136-158 and 191-194 of the Turkish Commercial Code no. 6102 ("TCC") and Articles 19 and 20 of the Corporate Tax Law numbered 5520, which regulate transfer of corporations.

The same disclosure also expressed that it was resolved to carry out the merger by way of "simplified merger procedure" as set out under Articles 155 and 156 of the TCC and Article 13 of the CMB Communiqué no. II-23.2 on Merger and Demerger since Migros holds Kipa's 96.25% of shares entailing voting rights.

Capital Structure

The Company's capital structure as of 31 December 2018 is as follows:

Shareholder structure

Shareholder	Share (%)	Share Amount (TRL)
MH Perakendecilik ve Ticaret A.Ş.	49.18	89,046,058
Kenan Investments S.A.	14.88	26,937,336
Moonlight Capital S.A.	7.94	14,371,000
Migros Ticaret A.Ş.	1.64	2,962,116
Others	26.37	47,737,723
Total	100.00	181,054,233

BOARD OF DIRECTORS REPORT

As stated in a material event disclosure published on 25 April 2018, an application was filed with the CMB on 25 April 2018 seeking approval for the merger of Migros and Kipa under Migros.

The merger application was approved by the CMB decision no. 32/841 dated 19 July 2018. By taking CMB's decision dated 19 July 2018 into account, the separation fund was determined as ⁶⁸ TRL 2.56 per one Kipa share. Accordingly, the merger ratio was determined as 98.3297% and the share exchange ratio was determined as 0.060453853.

As stated in the material event disclosure dated 23 July 2018, the right to examine pertaining to the merger process was initiated as of 24 July 2018 for a period of thirty days prior to the date of the Board of Directors' meeting regarding the approval of the merger.

It was announced in the material event disclosure on 27 August 2018 that the Board of Directors of Migros resolved on 27 August 2018 to consummate the merger by way of simplified merger procedure of Kipa under Migros, to approve the merger agreement and merger report, and to file applications with the relevant Trade Registries for the registration of the merger transaction upon completion of necessary procedures. The relevant Board resolution was registered with Istanbul Trade Registry on 31 August 2018. The board

resolution of Kipa on this matter was also registered on the same date. Thus, Migros and Kipa were merged under Migros.

Due to the merger, one share of Kipa with a nominal value of TRL 1 was converted to 0.060453853 Migros shares with a nominal value of TRL 1 according to the share exchange ratio. As mentioned above, the separation fund was determined as TRL 2.56 per each Kipa share with a nominal value of TRL 1.

As stated in the Company's material event disclosure dated 17 September 2018, the utilization of separation funds associated with the merger of Migros and Kipa granted to other Kipa shareholders ended. In response to the applications received during the process, Migros shares with a total nominal value of TRL 2,962,115.60 corresponding to former Kipa shares with a total nominal value of TRL 48,997,962.07 which were converted to Migros shares due to the merger were taken over by the Company in consideration of separation funds in the total amount of TRL 125,434,782.89.

The acquisition price was paid in cash and financed through the available funds that could be freely utilized by the Company.

The ratio of the Company's own shares, which were acquired in the utilization process of separation funds due to the merger, is 1.64% in total capital.

Corporate Bond Issue

In the Company's public disclosure dated 4 May 2018, it was announced that the Company's Board of Directors resolved to issue debt instruments in Turkey in Turkish Liras up to TRL 1,000,000,000 and to file an application with the Capital Markets Board of Turkey (CMB) for the approval of the issuance certificate(s). Within this context, the application was submitted to the CMB on 28 May 2018 and the approval of the CMB was granted on 7 June 2018.

Bond Issuance – July 2018

In material event disclosures dated 18 July 2018, it was announced that, in line with the CMB's approval no. 25/699 dated 7 June 2018 regarding our Company's application for bond issuance ceiling of TRL 1,000,000,000:

- The sale of the 3-year (i.e. 1,091 days) floating-rate bond with ISIN code TRSMGTI72110 and maturity date of 14 July 2021 with a nominal value of TRL 75,000,000 was completed on 17 July 2018 and that the issue date of the aforementioned bond was 19 July 2018;

- The sale of the 2-year (i.e. 728 days) floating-rate bond with ISIN code TRSMGTI72011 and maturity date of 16 July 2020 with a nominal value of TRL 75,000,000 was completed on 17 July 2018 and that the issue date of the aforementioned bond was 19 July 2018.

The sale of the aforementioned bonds was exclusively for qualified investors.

Bond Issuance – October 2018

In a material event disclosure dated 23 October 2018, it was announced that:

- The sale of the 2-year (i.e. 728 days) floating-rate bond with ISIN code TRSMGTIE2015 and maturity date of 21 October 2020 with a nominal value of TRL 46,000,000 was completed on 22 October 2018 and that the issue date of the aforementioned bond was 24 October 2018. The sale of the aforementioned bond was exclusively for qualified investors.

The Company made another bond issuance following the 1 January 2018-31 December 2018 fiscal period.

Bond Issuance – February 2019

In a material event disclosure dated 26 February 2018, it was announced that:

- The sale of the 2-year (i.e. 781 days) floating-rate bond with ISIN code TRSMGTI22115 and maturity date of 24 February 2021 with a nominal value of TRL 200,000,000 was completed on 25 February 2019 and that the issue date of the aforementioned bond was 27 February 2019.

The sale of the aforementioned bonds was exclusively for qualified investors.

Financial Structure

Migros' operational results are drawn up in accordance with the CMB's Financial Reporting Standards.

In 2018, consolidated sales of Migros went up by 22% to TRL 18,717 million. While the Company's domestic sales expanded by 21.7% in 2018, the sales registered by foreign subsidiaries in Kazakhstan and Macedonia grew by 34%. Sales abroad accounted for nearly 3% of Migros' consolidated sales.

Based on Nielsen's data, Migros achieved increased market shares both in organized FMCG (Fast Moving Consumer Goods) and total FMCG.

The Company's consolidated gross profit reached TRL 5,249 million in 2018. The Company's EBITDA margin target, which was announced as 5.5-6.0% in March 2018, was revised upwards as +6.0% during the reporting period. While the EBITDA registered in 2018 surpassed the targeted +6.0% to reach 6.5%, EBITDA was up by 39.6% to TRL 1,217 million. EBITDA before rent costs was 33.8% higher in 2018 than it was the year before, while the EBITDA before rent costs margin was 11.7% in 2018.

In 2018, Migros achieved all of its targets it had set for store opening, consolidated sales growth and EBITDA.

Despite operational profit that improved from the first quarter of the year, the devaluation of the Turkish Lira against Euro led to increased currency translation differences that do not involve substantial cash outflow in 2018, and the Company booked TRL 835 million in net loss in the reporting period due to the increased financial costs.

41% of the Company's total assets consist of current assets (2017: 37%) with non-current assets making up the remaining 59% (2017: 63%).

Sincerely,

Migros Ticaret A.Ş.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Migros Ticaret A.Ş. ("Migros", "the Company", "our Company")

Address	Atatürk Mah. Turgut Özal Bulvarı No:7 34758 Ataşehir / İstanbul
Trade Registry No.	659896
Mersis (Central Registration System) No.	0622052951300016
Phone	0216 579 30 00
Customer Care Line	444 10 44

To have its corporate governance rating renewed, the Company executed a new contract covering 2 (two) rating terms on 20 October 2017 with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., a corporate governance rating company holding a license from the Capital Markets Board of Turkey (CMB) to perform rating in accordance with the Corporate Governance Principles in Turkey.

In the report issued by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. on 28 December 2018, our Company's corporate governance rating, which was assigned as 9.58 (95.77) on 29 December 2017, was updated as 9.58 (95.81%), in view of the improvements

carried out by the Company during the reporting period.

The individual scores assigned for each heading to our Company are presented below

Included in Borsa İstanbul Corporate Governance Index on 4 January 2016, Migros was included in the Sustainability Index, which is also calculated by Borsa İstanbul, from the first day the index was introduced. For five consecutive years, Migros was the one and only company from the food retailing industry to take place in the "BIST Sustainability Index", which is based on a review of publicly-floated companies conducted by Borsa İstanbul.

Having qualified to be included in the FTSE4Good Emerging Index for the third consecutive time, Migros was named among CDP Turkey Climate Leaders for two years in a row with its plan for the fight against climate change that it has submitted to the CDP (Carbon Disclosure Project).

Headings	Weight	Assigned Score (%)
Shareholders	25%	95.67
Public Disclosure and Transparency	25%	98.01
Stakeholders	15%	99.51
Board of Directors	35%	92.75
Average	100%	95.81

Hüseyin Faik Açıkalın

Kamilhan Süleyman Yazıcı

Recep Yılmaz Argüden

Affan Nomak

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Migros Ticaret A.Ş. attaches great importance to the implementation of corporate governance principles as prescribed by capital market laws and regulations, the Turkish Commercial Code, and other regulatory requirements. Migros is aware of the benefits that the implementation of these principles will have for the Company, for its shareholders, and ultimately for the country as a whole. Our corporate governance practices are constantly being reviewed and improvements are made in them where necessary both so that we may be in compliance with Corporate Governance Principles Communiqué II-17.1 and so that we may be an exemplary company on such issues.

Our Company has adopted the main principles of Corporate Governance which are:

- a) Fairness
- b) Transparency
- c) Responsibility
- d) Accountability.

A corporate governance committee was formed within the Board of Directors in 2007 and charged with overseeing corporate governance matters throughout the Company and with supervising the Investor Relations Department. Capital market laws and regulations mandate that a corporate governance committee be set up and that its head be chosen from among the Company's independent board members.

In a Board resolution passed on 20 June 2018, Hüseyin Faik Açıkalın, Kamilhan Süleyman Yazıcı, Recep Yılmaz Argüden and Affan Nomak were elected to seats on the Corporate Governance Committee. Independent Board member Hüseyin Faik Açıkalın functions as the Committee Chairman.

Our corporate website (www.migroskurumsal.com) is updated daily in order to provide information on the Company to our shareholders. In addition, dedicated websites are available on each of our Company's formats for the information of the general public and our stakeholders. In addition to forming a part of its annual report, Migros' corporate governance principles compliance report may also be found in the "Investor Relations" section of its corporate website located at www.migroskurumsal.com and on the Company's page on the Public Disclosure Platform (KAP).

Within the scope of the efforts to achieve alignment with corporate governance principles in 2018;

The most recent version of the Company's articles of association that are in conformity with the Turkish Commercial Code and the Capital Market Law are posted on the corporate website (www.migroskurumsal.com).

As required by the Capital Markets Law's communiqué's stipulation that announcements about general assembly meetings must be made at least three weeks before the meeting date, our Company's general assembly meeting

was duly announced three weeks in advance of the date on which it was to be convened. A general assembly meeting information document containing information about such issues as Board members' résumés, the Board of Directors' profit distribution proposal and profit distribution table, reasons for proposal against profit distribution if applicable, draft amendments to the articles of association with old and new texts presented, internal guidelines for General Assembly meetings etc. is also made available to shareholders on the corporate website at www.migroskurumsal.com. In compliance with the Turkish Commercial Code, with capital market laws and regulations, and with corporate governance principles communiques, the Board of Directors has set up an Early Detection of Risk Committee. Tom Heidman, Talip Altuğ Aksoy and Hüseyin Faik Açıkalın were elected to be the members of the Early Detection of Risk Committee.

As required by CMB regulations, independent board member Tom Heidman was elected to its head.

Our Company has become a member of the Investor Relations Association (TÜYİD) in 2012 and of the Corporate Governance Association of Turkey (TKYD) in 2016.

Pursuant to the Capital Markets Board of Turkey (CMB) resolution no. 2/49 dated 10 January 2019, Corporate Governance Compliance Reporting, which is made under the Corporate Governance Communiqué no. II-17.1, shall be made using the Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) on the Public Disclosure Platform (KAP).

The said reports can be reached under the Corporate Governance tab on the KAP website. (<https://www.kap.org.tr/en/sirket-bilgileri/ozet/1494-migros-ticaret-a-s>)

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART II - SHAREHOLDERS

2. 1 Investor Relations

The Investor Relations Department was set up under the responsibility of the assistant general manager for financial affairs. The Investor Relations Department acts in compliance with the requirements of Turkish Commercial Code, capital market laws and regulations and with CMB regulations, communiques, and principles in the conduct of its activities. The

⁷² Investor Relations Department is actively involved in making it easy for shareholders to protect and exercise their rights, including but not limited to, their rights to obtain information and to examine the Company's records.

The main duties and responsibilities of the Investor Relations Department are as follows::

- Manage general assembly meeting-related matters in compliance with the requirements of laws and regulations and of the Company's articles of association;
 - Conduct matters related to share capital increases;
 - Conduct matters related to dividend payments;
 - Represent the Company;
 - Represent the Company before such agencies as the Capital Markets Board (CMB), Borsa İstanbul, the Central Registry Agency (CRA), and ISE Settlement and Custody Bank Inc. and liaise with them;
 - Maintain records pertaining to the Board of Directors, to committees set up within the board, and to general assembly meetings;
 - Provide the Public Disclosure Platform with information about material events as required by the Public Disclosure Communique (VII-128.6), the Material Events Communique (II-15.1), and other pertinent regulatory requirements;
 - Keep track of all matters related to public disclosures covered by the Company's public disclosure policy;
 - Prepare documents that may be useful to shareholders at general assembly meetings and ensure that shareholders have easy access to these documents;
 - Keep track of the requirements of laws and regulations and of CMB legislation;
 - Inform senior management of matters and issues with which the Company must be in compliance;
 - Prepare the Company's quarterly and annual reports;
 - Coordinate efforts and activities related to Corporate Governance in harmony with the Corporate Governance Committee;
 - Prepare quarterly and annual informational presentations and bulletins;
 - Provide investment banks/brokerage analysts, fund managers, shareholders, and other stakeholders with information about the Company to the extent allowed by the Company's disclosure policy;
 - Propose changes to keep the articles of association in compliance with current laws and regulations;
 - Maintain regular and up-to-date records of all communication with investors;
 - Keep abreast of and analyze information about competitors and the sector;
 - Respond to shareholders' queries and requests for information to the extent allowed by the Company's disclosure policy;
 - Have shareholders' paper-form securities dematerialized;
 - Contribute to the initiatives and efforts regarding sustainability.
 - Coordinate the changes and developments in relation to Borsa İstanbul Corporate Governance and Sustainability Indices, in which the Company is included,
 - Handle the processes related to the Company's corporate bond issuances,
 - The Investor Relations Department prepares and submits to the Board of Directors a report of its most recent activities monthly.
- Additionally, the Corporate Governance Committee makes quarterly presentations on the Company's corporate governance practices and investor relations activities.
- All shareholders who wish to obtain information about the Company may submit their requests by email to yatirimci@migros.com.tr and/or by calling 444 10 44 Customer Service Line. All other channels of communication are also available to shareholders.
- Assistant General Manager for Finance:
Ferit Cem Doğan
Email: cemdo@migros.com.tr
- Investor Relations Group Manager:
Dr. Affan Nomak
Email: affann@migros.com.tr
- Capital Market Activities Level 3 License No: 204627
- Corporate Governance Rating Specialist License No: 700482
- Investor Relations Executive:
Ahmet Hüsamettin Özkök
Email: ahmeto@migros.com.tr
- Capital Market Activities Level 3 License No: 209815
- Corporate Governance Rating Specialist License No: 702068
- The dematerialization of securities is undertaken by Yapı Kredi Securities. During the reporting period, retroactive action was taken at the Company's headquarters concerning Migros Türk T.A.Ş. shareholders and Tansaş Perakende Mağazacılık T.A.Ş. shareholders who had not taken part in stock options, or had not received dividends to which they were entitled, or who applied to have their paper-form shares dematerialized. In addition, shareholders who called the 444 10 44 Customer Services Line were provided with information and also directed to go to any Yapı Kredi Bank branch in order to exercise their rights. More than 250 shareholders contacted the

Investor Relations Department to obtain information on a variety of issues. They were informed in compliance with the requirements of corporate governance principles.

- The activities of the Company in 2018 are itemized below.
- Teleconferences conducted during the year: 4
- Investor presentations concerning the Company's financial results: 4
- Financial press releases concerning the Company's financial results: 4
- Material event disclosures sent to the Public Disclosure Platform: 86
- Board of Directors resolutions passed: 33
- Domestic and international conferences and roadshows taken part in: 10
- Analysts and fund managers met with during the year: 250+

2.2 Shareholders' Rights to Information Disclosure

The Investor Relations Department endeavors to respond to requests for information about the Company that it receives as quickly as possible and without making any distinctions among shareholders. Mindful of shareholders' right to be informed and of their right to have simultaneous, convenient access to information, all announcements about the Company are also published on the Company's corporate website.

Immediately after each announcement of the Company's quarterly results, teleconferences concerning the investor presentation published on our website were conducted. During these teleconferences, detailed information was provided about the presentation.

The shareholders' right to receive and review information as stipulated by the law is not eliminated or restricted neither by any provision contained in the Company's articles of association, nor by any practice based on the Company management's decision.

Auditing

At the meeting of the Board of Directors of Migros, held on 28 March 2018, it was decided according to the proposal by our Audit Committee that PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. be elected as the independent audit company for the 2018 fiscal year. This decision will be submitted to the General Assembly for approval, according to the Board's resolution.

The Migros general assembly of shareholders voted to approve, as the Company's independent auditor for 2018, the firm of PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., which had been selected by the Board of Directors.

A two-member Audit Committee has been formed by the Board of Directors of Migros. Under article 4.5.3 of the CMB's "Communiqué concerning corporate governance principles (II-17.1)", all of the members of the Audit Committee must be selected from among the Company's independent board members. At a meeting of the Board of Directors on 20 June 2018, a resolution was passed to reconstitute the Audit Committee as a two-person body whose members are both independent board members and İzzet Karaca and Şevki Acuner were elected to fill these seats. As also required by Capital Markets Board regulations, İzzet Karaca was designated as the committee's chairman.

The Company's articles of association contain no provisions that complicate the conduct of a special audit. The Company management avoids undertaking any transaction that would complicate the execution of a special audit. No requests for the conduct of a special audit at the Company were received from shareholders during the reporting period.

The internal audit activities of the Company are discussed in the relevant sections of the Corporate Governance Principles Compliance Report.

2.3 General Assembly Meetings

Attention is given to covering all issues whose discussion is statutorily mandated when determining items for the agendas of general assembly meetings. Care is taken to use a lucid language in the General Assembly agenda and to state each proposal under a dedicated heading. General assembly meeting announcements are published in the Turkish Trade Registry Gazette, on the Public Disclosure Platform (KAP), on the Central Registry Agency's electronic general assembly portal (e-GEM) and e-Company portal, and on the Company's corporate website so as to give all shareholders convenient access to these announcements. Additionally, a general assembly meeting information document containing detailed information about agenda items that are to be discussed at the meeting is also published on the Company's corporate website at www.migroskurumsal.com, on the electronic General Meeting System (e-GEM) and e-Company portal.

General assembly meetings are held physically at the Company's headquarters (Atatürk Mahallesi, Turgut Özal Bulvarı No: 7, 34758 Ataşehir, İstanbul) and are simultaneously conducted electronically through the electronic general assembly system. General assembly meetings are open to all stakeholders and are attended by media representatives.

Company officers responsible for the preparation of financial statements and a representative of the independent auditor attended the general assembly meeting so as to provide such information as might be needed and to respond to any questions.

A separate item concerning charitable donations provided to foundations and associations is included in general assembly meeting agendas and shareholders are provided with information about them.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Annual General Assembly Meeting

The annual general assembly meeting at which Migros' 2017 activities and accounts were examined took place on 15 May 2018 at 15:00 at the Company's head office building located at the address of Atatürk Mahallesi, Turgut Özal Bulvari No: 7, 34758 Ataşehir, İstanbul for the convenience of those attending and it was also simultaneously conducted electronically through the CRA's e-GEM. The meeting was observed by ministry representative Kadir Aslan, who had been charged with this duty by the Ministry of Customs and İstanbul Trade Directorate letter 34326313 dated 14 May 2018.

2017 balance sheet and income statement, the Board of Directors' annual report, draft amendment to the articles of association, independent auditors' report, and proposal for the distribution of the year's dividends were made available for the examination of shareholders at the Company's headquarters, on its corporate website at www.migroskurumsal.com, and on the electronic general assembly portal during the three weeks preceding the meeting.

An examination of the attendants list showed that 14,306,708,401.55 shares out of a possible 17,803,000,000 corresponding to TRL 143,067,084.02 of the Company's TRL 178,030,000 in capital were represented at the meeting.

Immediately after the meeting, its minutes and attendants list were reported to the Public Disclosure Platform and were also published under the "Information about general assembly meetings" heading of its corporate website at www.migroskurumsal.com and at the e-company portal. Additionally, the general assembly meeting's minutes were also promulgated in issue 9595 of the Turkish Trade Registry Gazette on 07 January 2018. Prior to the meeting, no shareholders submitted any proposals for items to be included in the meeting's agenda.

Shareholders at the Company's annual general assembly meeting were informed about the donations and assistance provided by the Company during the year. The Company's charitable donations during 2017 amounted to TRL 348,231.20. During the year, food was donated to the Food Banking for distribution to underprivileged individuals, and donations were made to various organizations such as the Turkish Educational Foundation, World Wildlife Fund – Turkey and Koç University.

In 2017 no company shareholder with a controlling stake, nor any board member, nor any manager with administrative responsibilities nor any spouse or relative (whether by blood or marriage unto the second degree) of any of these has engaged in any transaction with the Company or with any of its subsidiaries or affiliates that might be deemed to involve a conflict of interest; nor did any of them perform, on their own behalf or on behalf of another, any transaction of a business nature falling within the Company's own or its subsidiaries' or affiliates' object and scope; nor did they act as a partner with unlimited liability in another company engaged in the same kind of business.

2.4 Voting Rights and Minority Rights

As is stipulated in Migros' articles of association, there are no special voting rights at the Company. All votes are of equal weight. Every shareholder at a general assembly meeting is entitled to cast as many votes as the number of shares that they hold. There are no shareholders with cross-shareholding interests. The articles of association provide for no special privileges and/or similar rights with respect to representation on the Board of Directors. Four of the twelve members of the Board of Directors are independent members.

The Company avoids engaging in any and all manner of practices that might obstruct the exercise of shareholders' voting rights and takes maximum care to make sure that the Company's minority rights are exercised in view of the applicable legislation and the provisions of the articles of association.

Those who are entitled to cast votes at general assembly meetings may exercise those rights personally and they may also designate a proxy, who may or may not be a shareholder themselves, to do so on their behalf. A specimen of the proxy statement for shareholders not personally attending a meeting is posted at the Company's headquarters, on its corporate website (www.migroskurumsal.com), and at KAP and the CRA's e-GEM portal and is also published in the Turkish Trade Registry Gazette along with the general assembly meeting summons.

Voting on agenda items at general assembly meetings is by an open show of hands by shareholders who are physically present; electronic voting is provided for shareholders who are attending meetings in an electronic environment. Once voting has been completed, the results of physically cast and electronically cast votes are consolidated in the e-GEM.

2.5 Dividend Rights

There are no privileges regarding participation in the Company's profit. Profits are distributed within statutorily prescribed periods of time and as soon as possible after a general assembly meeting has taken place. The actual payment dates are determined by the general assembly.

Payment of dividends has always been an important matter for Migros, which always aimed to protect the interests of its shareholders. The utmost attention is given to the fine balance between the growth strategy and dividend payment policy.

Dividend Policy

"Taking the Company's long-term strategies, investments, financing plans, and profitability as well as compliance with CMB communiqués and regulations into account, the Board of Directors may submit, for the approval of the general assembly, a proposal that a portion—such as may be determined by the board—of current-year profit be paid out as cash, or as bonus shares, or as a specific mix of these two or else that it be retained within the Company."

When a general assembly decides to distribute profits it may itself determine when the dividends are to be paid and similarly it may also authorize the Board of Directors to make such a determination. In all cases, the payment of dividends must begin no later than the end of the fiscal year in which was held the general assembly meeting at which the decision to pay them was taken. Matters related to dividend payments specified in the Capital Markets Law and in CMB communiqués must also be complied with.

There are no shares in the Company that are entitled to special dividend rights; neither is there anyone who is entitled to a share of company profits who is not a shareholder."

At an annual general assembly meeting of Migros held on 15 May 2018, it was proposed against distributing profit for 2017 fiscal year since the Company's consolidated financial statements for 2017, which were drawn up in accordance with the Turkish Commercial Code and CMB requirements, showed a net profit for the period of TRL 509,036,463.45 (parent's share: TRL 512,706,101.23), that the profit be set aside as extraordinary reserves, and the General Assembly passed a resolution to that effect.

2.6 Transfer of Shares

The Company's articles of association contain no provisions restricting the transfer of its shares.

Transfers of the Company's shares are subject to the provisions of the Turkish Commercial Code and of capital market laws and regulations.

Our Company's shareholding structure as of 31 December 2018 is as follows:

Shareholder structure

Shareholder	Share (%)	Share Amount (TRL)
MH Perakendecilik ve Ticaret A.Ş.	49.18	89,046,058
Kenan Investments S.A.	14.88	26,937,336
Moonlight Capital S.A.	7.94	14,371,000
Migros Ticaret A.Ş.	1.64	2,962,116
Other	26.37	47,737,723
Total	100.00	181,054,233

Subject to the satisfaction of specific conditions, the Company may acquire its own shares and accept them as collateral.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 The corporate website and its content

The Company's corporate website is located at www.migroskurumsal.com. It has been serving shareholders and all other interested parties since its launch in 1997.

Any and all manner of information and announcements that might have an impact on the exercise of shareholders' rights is made available to shareholders on an up-to-date basis via the corporate website. The website addresses all of the matters set forth in Corporate Governance Principles.

The content of the corporate website (www.migroskurumsal.com) was enriched during the reporting period. There is also a separate website for each of the Company's store formats and these websites are available for our shareholders to use. Our corporate website contains the following sections and their associated sub-sections:

- About Us
- Our Brands & Stores
- Corporate Social Responsibility
- Migros Quality
- Investor Relations
- Migros Career

Besides addressing the matters set forth in section 2.1 ("Corporate Website") of CMB Corporate Governance Communiqué II-17.1, the Migros corporate website also contains information about many other subjects.

The Investor Relations section of our corporate website covers the main headings of "Sustainability Report", "Migros Corporate", "Migros - Kipa Merger Documents", "Financial Reports", "The Increase of Company Capital and Distribution of Dividends", "Information about the General Assembly Meetings of Shareholders", "Material Disclosures", "Announcements to Shareholders", "Frequently Asked Questions", and "Contact Us". Our investors can find more detailed information about Migros in the subsections under these main headings. Our "Investor Relations" page is updated as circumstances warrant and as required by law. Every effort is made to make such information easily accessible to stakeholders.

The corporate website also contains trade registry information and the shareholding structure in Turkish and English as required by law.

In addition, the Company's "Privacy and Data Security Policy" is also available at our corporate website. The Policy is intended to clarify the types of data we collect, the reasons and methods of data collection, the purposes such data are used for, and the steps taken to ensure their security.

3.2 Annual Report

The annual report is prepared in such a way as to contain all of the matters specified in the Turkish Commercial Code, in "Regulations concerning the determination of minimum content in companies' annual reports" (published in issue 28395 of Official Gazette on 28 August 2012), and in the corporate governance principles set forth in the

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

appendix to CMB Corporate Governance Communiqué II-17.1. As so required, the Board of Directors has an annual report prepared that provides the public with complete and truthful information about the Company's activities.

The following information is provided under the "Board of Directors" heading of the corporate governance principles compliance report section of the annual report: statements pertaining to information about members of the Board of Directors, to duties that executives undertake outside the Company, and to the independence of independent members; information pertaining to committees set up within the Board of Directors that includes their working principles, members, frequency of meetings, and performance along with the board's assessments of the committees' effectiveness; information pertaining to the number of Board of Directors meetings held during the year and members' attendance at them.

The corporate governance principles compliance report also contains, in appropriate sections, information about: changes in the legal framework that may significantly affect the Company's activities; significant lawsuits filed against the Company and their potential consequences; conflicts of interest between the Company and those from which it obtains investment advisory, rating, and similar services along with measures taken by the Company to preclude such conflicts; cross-shareholding interests that involve more than a 5% capital stake; information about corporate social responsibility issues including employee rights, professional/occupational training, and other company activities that have social and/or environmental consequences.

PART IV - STAKEHOLDERS

4.1 Informing Stakeholders

Migros corporate governance practices observe stakeholders' rights as embodied in laws and regulations and in its contractual agreements. The Company keeps stakeholders informed about issues that may be of concern to them through a variety of communication channels including, but not limited to, its corporate website at www.migroskurumsal.com. Policies and procedures concerning stakeholders' rights (Anti-Bribery and Anti-Corruption Policy, Compensation Policy, Responsible Supplier Policy, etc.) are posted on the corporate website. Company employees, shareholders, and other individuals and entities with which the Company has a shareholding and/or business relationship may submit suggestions and complaints about such issues directly to company executives. All such submissions are considered and responded to as circumstances require.

Migros publishes the names and contact information of the department heads of the Company on its corporate website thus making it possible for stakeholders to directly contact the manager overseeing a particular issue and direct their questions and opinions to the relevant person firsthand. The objective of this model is to allow for the establishment of a more transparent and effective communications model between the Company and its stakeholders.

Necessary mechanisms have been set up to let stakeholders report any violations of laws and regulations by the Company and any involvement by the Company in dealings that may be unethical, if applicable. Stakeholders are provided with clear and explicit information about the Corporate Governance Committee, the Audit Committee, and the members of both so that they may contact these committees directly in order to report any such issues.

The Company keeps shareholders and other interested parties informed through such means as press releases and investor presentations.

The section of the Migros Code of Conduct concerning employees is presented under the title of "Rules of Ethics" and other principles are presented below:

The responsibilities of Migros towards other companies

1. Migros abides by the law in all of its activities.
2. Migros does not derive any unlawful benefit from any person or entity under any circumstances. Procurement decisions regarding goods and services are made based on well-established and publicly disclosed criteria.
3. It is important for Migros that its business partners do not damage its image and reputation and that they respect the accepted business values of the Company.
4. Migros checks and monitors the services it obtains on an ongoing basis from other organizations to ensure that they are provided in full legal compliance.
5. Migros does not share the confidential information of its suppliers with any third party without permission.

Social responsibilities of Migros

1. Migros strives to upgrade its service standards in order to satisfy the expectations of its customers.
2. Migros seeks to set an example for the community by fulfilling all of its tax and other obligations in a complete and timely manner.
3. Migros does not make any derogatory, derisive or offensive statements about other companies, organizations, products or individuals.
4. Migros takes the utmost care in all its activities to preserve nature and historic integrity while acting in accordance with customs and traditions of the community and observing legal rules and regulations.
5. Migros stands for business ethics in its industry and strives for the establishment, dissemination and adoption of these principles.

The responsibilities of Migros employees towards the Company

1. Migros employees categorically reject any pecuniary or non-pecuniary incentives which may come from any third parties within their areas of responsibility.
2. Migros employees inform their immediate superiors whenever they enter into a direct business relationship with a company in which a close relative is employed or he/she is a minority or majority partner.
3. Migros employees take utmost attention and care in their duties and they make every effort to ensure that the work they perform is higher in quality, faster and more efficient.
4. Migros employees are obliged to refrain from endangering the health and safety of themselves and of other employees who are affected by their actions and their jobs in line with the occupational health and safety training they received and with the employer's relevant instructions.
5. Migros employees are obliged to operate the machinery, equipment, devices, tools, dangerous materials, transportation equipment and other production machinery in the workplace in accordance with their respective guidelines, to properly use protective equipment, not to remove and change such protective equipment arbitrarily, and to cooperate with the employer and employee representatives to assure occupational health and safety in his/her respective job area, in accordance with the employer-provided training and instructions.
6. Migros employees refrain engaging in any action or behavior which would damage the image and reputation of the Company and during work hours they comply with the generally accepted code of conduct and the dress policy of the Company.
7. Migros employees do not remain indifferent or silent in any situation which runs counter to the interests of the Company and shall notify the concerned business units.

8. Migros employees avoid waste by putting all the fixtures, tools and equipment owned by the Company to use for their intended purposes. The employees do not use the resources and facilities of the Company for their own private benefit.
9. Migros employees do not divulge any confidential or private information which they might be privy to due to their position or the work they perform outside the Company and they do not give interviews or make statements of any kind to any media organization without the prior consent of the Company management.

The responsibilities of Migros employees towards other employees

Migros employees do not share the private information regarding their co-workers they might be privy to with other third parties outside the Company. Our Company is against any and all sorts of behavior that will tarnish its employees' reputation and honor, or that constitutes infringement of its employees' personal and employment rights; and any and all sorts of harassment (psychological harassment, mobbing, sexual harassment) that disturbs physical, psychological and social health and negatively affects the working life of our employees and our Company, and aims to develop and maintain a fair and respectful working environment for all employees.

Migros employees are obliged not to endanger the health and safety of themselves and of other employees who are affected by their actions and their jobs in line with the occupational health and safety training they received and with the employer's relevant instructions.

General responsibilities

"The Migros Business Ethics Committee" is responsible for dealing with issues that are not addressed by the principles set forth above.

4.2 Stakeholders' Participation in the Company Management

The employees' participation in management is regulated by internal guidelines. Article 7 of "The Company's Responsibilities toward its Employees" section of the Migros Code of Conduct reads as follows: "In matters that are related to employees, Migros seeks to include the opinions of its employees as much as possible in any decision concerning the future of the Company."

77

Accordingly, management of Migros gives a great deal of attention towards the achievement of this goal. Stakeholders' opinions are sought in material decisions bearing impact with respect to them. As part of our business conduct, Migros employees participate in the decision-making processes concerning their respective areas of work. Migros employees have the opportunity to communicate their new ideas, proposals and demands to the senior management of the Company and Members of the Board of Directors directly or electronically via intranet, the Company's internal communication platform.

The management body, through which our employees are represented at our stores, is the Workplace Union Representative committees. In addition to overseeing the enforcement of the provisions of the collective bargaining agreement, Workplace Union Representatives discuss the complaints and requests communicated by our employees or by our Company with the employer representatives. In addition, they are also represented in various committees such as the Occupational Health and Safety Committee on which they are members, and on committees set up for various projects.

A "Working Life Assessment Survey" is conducted every year by an independent research company in order to measure and further improve the levels of Migros employees' job satisfaction and company loyalty. The findings from the survey form the basis of new administrative decisions to be made each year.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

An annual Goal-Awareness Workshop is conducted in order to ensure that the Company's targets and strategies are fairly, equally, and clearly understood by all Migros employees. Representatives attending the workshop have a direct impact on the determination of the Company's annual goals. The goals setting the main strategy of the Company are objectively deployed across all departments.

4.3 Human Resources Policy

The Human Resources Department of Migros, in executing the Company's strategies, aims to develop systems which will ensure the continuous improvement, motivation and management of the human resources staff and implement these systems in line with the corporate principles of the Company. Our human resources are our most important asset. The quality of our products and services reflects the quality of our employees. In our endeavor to create a Company spanning generations, we choose attracting and employing the best and most competent people; taking maximum advantage of our people's abilities, strengths and creativity; increasing their individual productivity; providing them opportunities to develop themselves; and creating a workplace in which teamwork and solidarity flourish.

The Company has espoused an employment policy providing equal opportunities and succession planning for all key managerial positions. The said planning is reviewed every year by the senior management.

Information about company employees' job descriptions and accountabilities and about performance and reward criteria is provided for employees' information through the Migros Human Resources Portal.

Our Principles

Strategic Use of Human Resources:

The Human Resources Department of Migros places the human element on a high pedestal by giving it great strategic importance and creates awareness of its strategic value in all of domestic and overseas units of Migros. Human resources strategies are designed to create and develop a reliable, fast and proactive organizational structure to sustain the industrial leadership of Migros in a competitive business environment. Employees are considered a strategic resource for it is believed that their experience and creativity would be the driving forces in the adaptation of the Company to fast-changing competitive environment and new markets.

Superior Business Ethics and Integrity:

In all dealings with employees, the Company accepts as a fundamental principle to act fairly, in good faith and in an understanding manner abiding by the rules of law and ethics.

Occupational Safety:

Migros assures its employees that it will fulfill all of its obligations towards them, including those at all of its subsidiaries, in compliance with the relevant laws and regulations. The Company, in order to ensure the safety of its employees in the workplace, complies not only with all legal requirements and regulations stipulated by the Labor and Occupational Safety Law but also with the industry standards on ergonomics and improvement of the working environment. Civil defense activities, which are of great importance for our country, and theoretical and practical training are also provided in cooperation with the concerned public institutions.

Equal Opportunities:

Migros provides services to its customers both in Turkey and abroad through an employee workforce comprising of individuals coming from many different linguistic, religious and ethnic backgrounds. All human resource-related decisions from recruitment and placement to compensation are governed by job position profiles defined in detail. Through the human resource staff evaluation systems, Migros objectively monitors and assesses the competencies, skills and performances of its employees by common principles applied to all. Migros provides equal training, promotion, and career development and compensation opportunities to each of its employees based on the evaluation results through the Integrated Human Resource systems deployed by the Company.

Human Resources Management:

The management of human resources processes and relations with employees at our Company, in line with established human resources policies and principles, is the responsibility of the Assistant General Manager for Human Resources and Industrial Relations; this function is clearly defined and undertaken within the regulations and business ethics principles of the Company.

Participation and Transparency:

Managers and employees at Migros' domestic and overseas subsidiaries are the integral parts of human resources practices at Migros. Employees are updated on their roles and responsibilities regarding human resources policies and provided with guidance in fulfilling those responsibilities.

Human resources policies and processes are shared with employees on a regular basis by means of the communications resources (intranet, e-mail, distance learning and meetings) of the Company. Employees have access to employee evaluations and are able to receive training and information on the practices and can monitor their individual results.

Assemblies are also conducted as necessary to inform and discuss with employees issues of concern to them such as the Company's financial standing, compensation, career paths, training, and health.

Competitiveness:

Migros plans and manages the professional development of its employees to help them sustain their competitiveness not only within the Company itself but also on a professional level so as to allow the contribution of positive values to the economy, environment and community.

Commitment to Shared Values:

Our Corporate Culture is based on our shared values. These values are:

1. Reliability
2. Leadership
3. Empathy
4. Customer-orientation
5. Productivity
6. Innovativeness.

Actions of employees contradicting the Company's shared values are dealt with appropriately and impartially through the warning system and disciplinary committee procedures. Conducting relations with employees at Migros is the primary function of the Industrial Relations Department. The objectives of this Department are to ensure that all laws and regulations are fully complied with by the Company, oversee the legal and contractual rights of the employees and manage employee rights so as to maintain labor peace and fulfill all legal obligations.

Our employees who have completed one working year with our Company receive indemnity payment in cases set out by the law, and necessary financial provisions are set aside for this purpose, which are publicly disclosed in our financial statements.

4.4 Code of Ethics and Social Responsibility

The Principles of Business Ethics of Migros are grouped under the following headings:

- The responsibilities of the Company towards its employees
- The responsibilities of employees towards the Company
- The responsibilities of Migros towards other companies
- Responsibilities of the Company towards the society
- General responsibilities.

The responsibilities of the Company towards its employees and the information about the other categories of business ethics principles have been described in the various sections of this Corporate Governance Compliance Report. The Migros Code of Ethics may be accessed from the Company's corporate website at www.migroskurumsal.com.

The Company considers its employees as one of its most valuable assets in today's tough market conditions. One of our Company's greatest competitive advantages is its experience in the industry and qualities possessed and continuously improved by its employees.

The responsibilities of Migros towards its employees:

1. Migros is in full compliance of its legal obligations to its employees; in situations where the requirements of law are ambiguous, Migros consults professionals who are experts in the relevant fields.
2. Migros protects the rights of its employees within the framework of its business ethics rules in situations where laws do not sufficiently address to.
3. Candidates for employment, promotion and appointment are evaluated based on their qualifications; all employees are provided equal opportunity.
4. Migros does not get involved in the personal affairs or private lives of its employees and holds all of the private information about its employees in strict confidence.
5. Migros helps its employees to develop professionally and personally by providing them training.
6. Migros does not discriminate on the basis of sex, age, ethnic origin or religion.
7. In matters that are related to employees, Migros seeks to include their opinions as much as possible in any decisions that are related to the future of the Company.
8. Migros provides hygienic and safe working conditions as dictated by the requirements of law and circumstances, and seeks to improve them to the best of its ability.
9. Migros holds private information about its employees that it may receive through various means in strict confidentiality and does not divulge any of it (e.g. medical records, shopping habits, economic data, and the like).

Within the framework of its ethical guidelines, Migros defines its responsibilities to society as follows.

1. Migros strives to satisfy the service quality standards that its customers expect of it.
2. Migros seeks to fulfill its tax and other legally prescribed obligations in a complete and timely manner and to conduct itself in an exemplary manner in the public eye.
3. Migros makes no statements that could be deemed to be condescending, sarcastic or offensive concerning other companies or organizations, goods, or individuals.
4. Migros takes pains in the conduct of its activities to protect the natural environment, to avoid harm to the historical heritage, and to act in keeping with customs, habits, and traditions. Migros complies with the requirements of law on all such issues.
5. Migros stands for business ethics in its industry and strives for the establishment, dissemination and adoption of these principles.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The corporate culture Migros has developed for more than sixty years, includes its concern for public health and hygiene, sensitivity toward identifying and satisfying societal needs, organization of and participation in exemplary educational, cultural, athletic and social activities essential for social development as well as its corporate identity as an "Honest Retailer" sensitive to the environment.

80 As required by its sense of corporate social responsibility, Migros operates in compliance with laws, the rules of ethics, and respect for human rights in the conduct of all consumer-related services; fulfills the responsibilities incumbent upon it in the furtherance of registered-economy activities that give back to society by enriching national resources; contributes to formal employment through its upholding of statutorily-mandated employee rights. The Company also shares its sense of social responsibility with its social stakeholders - employees, suppliers, subsidiaries, investors and consumers and with the public at large. Great importance is given to supporting and spreading of such pioneering and value-adding practices for the improvement of the society.

Migros is aware a good reputation can be ruined in a single blunder. Migros acts ethically and with integrity in every practice it engages in. The Company is well aware that trust cannot be won easily, and that it is a bond that grows and develops slowly over a long period of time between a company and its customers and that once broken, cannot be saved by quick fixes. Migros has been protecting the good health and rights of its customers since its inception. Many innovative practices introduced by Migros encourage good shopping habits and foster consumer awareness. These practices subsequently became industry standards and some have even been made into law.

Detailed information about the Company's social responsibility activities is provided in appropriate sections of the annual report.

PART V - BOARD OF DIRECTORS

5.1 Structure and Composition of the Board of Directors

All of the members of the Migros Board of Directors possess the qualifications required of them in article 4.3 of CMB Corporate Governance Communiqué II-171. All of them are professionals distinguished by virtue of their exemplary business knowledge, experience, and background.

The Board of Directors identifies strategic objectives taking into account both the requirements of laws and regulations and the Company's articles of association and internal directives. The board formulates the most appropriate balance among between growth and the issues of risk vs return in line with these objectives and, mindful of the Company's long-term interests, administers the Company transparently, accountably, justly, and responsibly.

The Migros Board of Directors consists of twelve members, all of whom are elected by shareholders at a general assembly meeting. The board's membership consists of non-executive board members, except Özgür Tort. Among the board members are independent members who have the ability to act with absolute impartiality in the conduct of their duties.

According to article 4.3.4 of CMB Corporate Governance Communiqué II-171, the number of independent board members must not be fewer than one-third of a board's total membership. When determining how many independent board members a board must have, fractions are rounded up to the nearest whole number but in no case may the number of independent board members be fewer than two. In compliance with this rule, four of the twelve members of the Migros Board of Directors are independent members.

Under the articles of association, board members serve for three-year terms at most unless a shorter term of office is specified at the general assembly meeting at which they are elected. A board

member whose term of office expires may be reelected. Shareholders assembled in a general assembly meeting may, for just cause and at any time that they deem such action to be necessary, dismiss any board member whether or not such an item is on the meeting agenda.

The Corporate Governance Committee, which performs the duties of a nomination committee at Migros, has created a pool of prospective independent board members during 2018 and the nominees have been presented in a report to the Board of Directors on 16 February 2018.

There are no binding rules governing board members undertaking duties outside the Company. Any duties that they do perform however are indicated in their CVs.

While women members served on the Board of Directors in previous years, there are no woman members on the current Board of Directors. The Corporate Governance Committee has set a target (25%) for reassignment of women members on the Board of Directors in the years ahead, and has made a recommendation in writing to the Board of Directors. The Board of Directors is planning accordingly in this respect. As a matter of principle there are no barriers to or limitations on women serving as members of the Board of Directors.. All members of the board-male and female-are considered and evaluated entirely on the basis of their professional and sectoral experience and their academic qualifications.

Resumes of the Board Members

Tuncay Özilhan

Born in Kayseri, Tuncay Özilhan graduated from Saint Joseph High School in Istanbul, and Istanbul University, Faculty of Economics, before obtaining his MBA from the Long Island University, USA. He started his career as the General Manager of Erciyas Biracılık in 1977. Mr. Özilhan became the Beer Group Coordinator and then General Coordinator at Anadolu Endüstri Holding. He still serves as the

Board of Directors

Name	Title	Appointed on	Term
Tuncay Özilhan	Chairman (Non-executive)	15.05.2018	1 Year
Nikolaos Stathopoulos	Vice Chairman (Non-executive)	15.05.2018	1 Year
Salih Metin Ecevit	Member (Non-executive)	15.05.2018	1 Year
Talip Altuğ Aksoy	Member (Non-executive)	15.05.2018	1 Year
Kamilhan Süleyman Yazıcı	Member (Non-executive)	15.05.2018	1 Year
Stefano Ferraresi	Member (Non-executive)	15.05.2018	1 Year
Salim Abdullah Khalfan Al Ma'mari	Member (Non-executive)	15.05.2018	1 Year
Ömer Özgür Tort	Member and General Manager (Executive)	15.05.2018	1 Year
İzzet Karaca	Independent Member (Non-executive)	15.05.2018	1 Year
Hüseyin Faik Açıkalın	Independent Member (Non-executive)	15.05.2018	1 Year
Şevki Acuner	Independent Member (Non-executive)	15.05.2018	1 Year
Tom Heidman	Independent Member (Non-executive)	15.05.2018	1 Year

Chairman of the Board of Directors of Anadolu Group, a position he has taken over in May 2007. Mr. Özilhan also served as Anadolu Group Executive Chairman until February 2017, to which position he was appointed in 1984.

Outside positions held

Anadolu Group Chairman Mr. Özilhan also sits as the Chairman on the boards of directors of Anadolu Foundation and various Anadolu Group Companies. After serving as the Chairman of TÜSİAD (Turkish Industry and Business Association) from 2001 to 2003, Tuncay Özilhan currently functions as the President of TÜSİAD High Advisory Council, Member of the Board of Directors at DEİK (Foreign Economic Relations Board), Chairman of the Turkish-Russian Business Council of DEİK, Estonian Honorary Consul, and President of the Anadolu Efes Sports Club. Mr. Özilhan has also been honored with "The Order of the Rising Sun, Gold and Silver Star", one of the most important decorations conferred by the Japanese government, and with a medal by the Republic of Estonia, Ministry of Foreign Affairs.

Nikolaos Stathopoulos

Nikolaos Stathopoulos is a Managing Partner and a member of the Investment Committee at BC Partners, which he joined in 2005. He has over 20 years of experience in private equity having led a variety of private equity investments globally. Mr. Stathopoulos serves as the chairman of the boards of directors of OVS SpA, Gruppo Coin and Mergermarket Group, and board member at Com Hem and Migros.

Before joining BC Partners, Mr. Stathopoulos was a Partner at Apax Partners in London where he spent seven years working on large buy-out transactions. Prior to Apax, he worked as a management consultant with the Boston Consulting Group in London. Mr. Stathopoulos holds an MBA from Harvard Business School and a degree in business administration from the Athens University of Economics and Business.

Outside positions held

He is a member of the Harvard Business School European Leadership Board, Athens University of Economics and Business Advisory Council, Impetus Private Equity Foundation Board of Trustees and a fellow of the Royal Society of Arts. He is also the Chairman of BC Partners Foundation.

Salih Metin Ecevit

Salih Metin Ecevit graduated from the Faculty of Political Sciences in 1967 and received his master's degree in economics from the Syracuse University (USA) in 1976. From 1967 to 1980, he worked as a Government Auditor and served as Deputy General Manager of General Directorate of Revenues at the Ministry of Finance.

Mr. Ecevit joined Anadolu Group in 1980 and worked in various roles, serving as General Manager, Managing Director, and Chairman of the Board of Directors in automotive companies of the Anadolu Group. He retired in 2006, while he was serving as the Automotive Group President, as per the retirement age limit regulations of the Group. He served as Board Member and Chairman of the Association of Imported Car Distributors in Turkey from 1992 to 2004.

Outside positions held

He is a board member in many Anadolu Group companies

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Talip Altuğ Aksoy

Talip Altuğ Aksoy received his bachelor's degree in economics from Oglethorpe University in USA. He began his career as Assistant Finance Specialist at Anadolu Group in 1995 and was appointed as a Finance Specialist in 1996. Mr. Aksoy worked as Human Resources and Treasury Specialist from 1998 to 2000. He served as Director of Sales and Marketing at Efes Invest from 2000 to 2003 and was appointed Director of Trade and Export at Efes Beer Group in January 2003.

82

Continuing his career at the Group as the Director of Purchasing and Logistics from 2006, Mr. Aksoy was appointed Director of Supply Chain of Efes Beer Group in June 2008, in which position he served until 1 November 2011. In November 2011, he was appointed Efes Turkey Managing Director and served in this position until 1 January 2017.

Outside positions held

Mr. Aksoy still continues to serve as a Board Member in various Anadolu Group companies.

Kamilhan Süleyman Yazıcı

Kamilhan Yazıcı holds a bachelor's degree in business administration from Emory University in USA, an MBA degree from AIBEC (American Institute of Business and Economics) in Russia and has completed the GMP program at Harvard Business School. Having started his career in Anadolu Group Finance Department in 2000, Mr. Yazıcı later worked in Anadolu Efes Russia Marketing Department between 2003 and 2005, and was appointed New Product Development Manager in 2005. Having continued his career in Russia as Logistic Systems Manager from 2006 to 2008, Mr. Yazıcı was appointed Supply Chain Director in 2008 and Development Director in 2010. Mr. Yazıcı assumed the role of Anadolu Efes Moldova Managing Director from 2011, and was appointed Market Development Director in Anadolu Efes Headquarters in 2014, a position he held until April 2017.

Outside positions held

Mr. Yazıcı currently serves as a Board Member and Vice-Chairman in Anadolu Group companies.

Stefano Ferraresi

Born in 1972, Stefano Ferraresi received his undergraduate degree in business administration from Bocconi University in Italy.

Having started his business life at Barclay's Capital, Mr. Ferraresi worked in the Finance Department at Merrill Lynch London office from 2000 to 2002. Having joined BC Partners in 2002, he has been a member of the Board of Directors at Migros since May 2008.

Outside positions held

Stefano Ferraresi serves as a member of the Board of Directors at OVS SpA.

Salim Abdullah Khalfan Al Ma'mari

Born in 1988 in Oman, Salim Abdullah Khalfan Al Ma'mari graduated from Sultan Qaboos University in Oman. Having started his professional life at Ernst & Young in Oman, he worked for General Electric and Export Credit Guarantee Agency (ECGA) between 2013 and 2016. He has been holding a senior executive position at the State General Reserve Fund in Oman since January 2016. Mr. Al Ma'mari has been a member of the Board of Directors at Migros since 28 July 2016.

Ömer Özgür Tort

Ö. Özgür Tort joined Migros Türk T.A.Ş. in 1996 in the Business Development Department, where he held managerial positions in Project Management, International Investments Coordination and CRM. Mr. Tort worked as Assistant General Manager of Sales and Marketing at Migros' subsidiary in the Russian Federation from 2002 to 2006. In 2006, he carried on with his career as Assistant General Manager of Human Resources at Migros Group. Having specialized in all aspects of retail management in his career, he has become the General Manager of Migros in 2008.

Ö. Özgür Tort sits on the board of directors of the Consumer Goods Forum, the world's largest retail industry network of label manufacturers. After getting his undergraduate degree in industrial engineering from Istanbul Technical University, he went to US for graduate studies. He got his master's degree in engineering management from the University of Missouri. He is married and has one child.

Mr. Tort has been serving as the General Manager of Migros since August 2008, where he is also a board member.

Outside positions held

Ömer Özgür Tort is the Chairman of the Board of Sanal Merkez Ticaret A.Ş., a subsidiary of Migros Ticaret A.Ş. He is a Board member at Consumer Goods Forum. Ömer Özgür Tort is also a board member at Trade Council of Shopping Centers and Retailers (in Turkish: AMPD).

Independent Board Members

Izzet Karaca

Born in 1954, İzzet Karaca received his degree in industrial engineering from Boğaziçi University in 1977. He started his professional career the same year at Koç Research and Development Centre. He held Industrial Engineer and IT Manager position until 1985. From 1985 to 1988, he served as Systems and Organization Director at Ford Otosan. From 1988, he held several positions at Unilever in Germany, Turkey and Baltic States including Internal Audit Group Manager, Logistics Manager, Commercial Director and Managing Director.

From 2011 to 2013, Mr. Karaca served as Chairperson of International Investors Association. After serving as the Executive Chairman at Unilever Turkey and Unilever NAMET RUB (North Africa, Middle East, Russia, Ukraine and Belarus) region, and as member of Unilever CEO Forum, he retired on 31 December 2013.

In 2015, he published his first book titled "The New CEO is... You".

Izzet Karaca possesses the qualifications of an independent board member as per the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

Hüseyin Faik Açıkalın

After receiving his degree in business administration from the Faculty of Economic and Administrative Sciences at the Middle East Technical University in 1987, Hüseyin Faik Açıkalın began his professional life and banking career as an assistant specialist at Interbank. He worked in various positions including internal auditor, customer relationship manager, branch manager and marketing manager at Interbank, Marmarabank, Kentbank, Finansbank and Demirbank between 1992 and 1998. In May 1998, he joined Dışbank (subsequently named Fortis upon the acquisition of Dışbank by the international finance group Fortis) as Executive Vice President, and later that year, he was appointed as an executive director responsible for the coordination and communication between the Board of Directors and business units. Having started to function as a member of the Credit Committee at the same time, Açıkalın assumed the roles of Deputy Chief Executive Officer and Board member of Dışbank in June 1999. Appointed as CEO and Executive Director in December 2000, he continued to serve as CEO of Dışbank when it was renamed Fortisbank following the acquisition of Dışbank by Fortis Group. In the same period, he also began assuming roles in the international management of Fortis.

In October 2007, he resigned from his duties at Fortisbank and became Chief Executive Officer at Doğan Gazetecilik, a media holding company, before being appointed as an Executive Director of Yapı Kredi Board of Directors and Chief Executive Officer in April 2009. After serving as the CEO of Yapı Kredi from May 2009 until December 2017, Açıkalın was assigned as Managing Director and CEO at Koç Finansal Hizmetler in 2010, in tandem with his ongoing roles. In

addition to his existing functions, he was brought to the position of Koç Holding Banking and Insurance Group President in August 2011. Furthermore, he served as the Chairman of Yapı Kredi Invest, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland NV, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Malta, Yapı Kredi Bank Moscow, Yapı Kredi Koray REIT, and Koçfinans, as Deputy Chairman of Banque de Commerce et de Placements S.A. and Allianz Life and Pension, and as Board member of the Banks Association of Turkey.

Hüseyin Faik Açıkalın qualifies as an independent member according to the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

Sevki Acuner

After receiving his degree in business administration from Boğaziçi University in 1976, Sevki Acuner got a Graduate Diploma from the Stockholm University and then an MBA from the Concordia University in Montreal. Having started his banking career at the Central Bank of the Republic of Turkey, he then worked at the Bank of Montreal in Canada and later at the Royal Bank of Canada in various countries. He has been functioning in various roles at the European Bank for Reconstruction and Development (EBRD) since 1996. Having played a key role in the launch of EBRD's Turkey operations in 2009, he served as Deputy Country Director for Turkey at EBRD until 2013, during which post he was based in İstanbul. He has been serving as EBRD's Director for Ukraine based in Kiev since 2013. Acuner has fulfilled Board of Directors member role as the Bank's representative in a number of EBRD's equity investments.

Having served as the President of the Turkish Bankers Association – United Kingdom (TBA) for many years during his career in London, Acuner led the EBRD's growth in our country within the frame of his position in İstanbul. Acuner takes

place among the leading supporters of the country's economic transformation and the leaders of the finance world in Ukraine. Among his many responsibilities are functioning as the Chairman of the Board of the Business Ombudsman Council, board member at public companies and Head of the Nomination Committee responsible for appointment of CEOs, and Deputy Chairman of the Board of the American Chamber of Commerce in that country.

Sevki Acuner qualifies as an independent member according to the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

Tom Heidman

Born in 1959 in Amsterdam, the Netherlands, Tom Heidman received his degree in business administration and economics from Erasmus University Rotterdam, followed by an MBA from the Delft University of Technology. He began his professional life in 1987 at Albert Heijn, one of the largest supermarket chains in the Netherlands. He joined the Gall & Gall company in 1990, where he served as General Manager between 1994 and 1997. Tom Heidman functioned in various roles at Albert Heijn between 1997 and 2002.

Having joined Retail Network company in 2002 as CEO, Heidman was named the CEO of Logo International in 2006. Having assumed the position of CEO at Schuitema B.V. from 2009 to 2012, Heidman worked as CEO of Vion N.V. company from February 2015 until August 2015.

Tom Heidman qualifies as an independent member according to the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Independent Board Members' Affidavit

To the Board of Directors of Migros Ticaret Anonim Şirketi ("the Company"):

Owing to my having been proposed as a candidate for a seat as an independent board member on your Company's Board of Directors at your Company's general assembly meeting for the year 2017, I hereby declare and wish it to be known by all Company organs, shareholders, and other interested parties that I am a candidate to serve as an independent board member at the Company within the framework of the Company's articles of association and the criteria of the Capital Markets Board's Corporate Governance Principles and that I possess the qualifications to do so and furthermore:

a) That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an administrative capacity involving significant duties and responsibilities, owned more than 5% of the capital or voting rights or privileged shares either jointly or individually, or have established a significant commercial relation with the Company, or with corporations over which the Company holds management control or significant influence or with shareholders who

hold management control over the Company or have significant influence over the Company, or with legal entities controlled by these shareholders,

- b) That within the most recent five years, I have not been a shareholder (5% and more), not worked in an administrative capacity undertaking significant duties and responsibilities or not served as a member of the board of directors in any company, particularly companies involved in the Company's auditing (including tax audit, statutory audit, internal audit), rating, or consulting functions that the Company purchases or sells a substantial amount of goods or services within the framework of the contracts executed, during the period of such sale or purchase;
- c) That, as may be seen from my resume, I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the Board of Directors;
- d) That, as of the date on which my candidacy for board membership was proposed and this affidavit is submitted, I am not a full-time employee of any public agency or organization and that, if elected, I shall not be for the duration of my term of office;

- e) That I am a resident of Turkey as defined in the Income Tax Law;
- f) That I am possessed of ethical standards and of professional reputé and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any disputes that may arise among the Company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;
- g) That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking
- h) I have not served as a member on the Company's board of directors for more than six years within the last ten years,
- i) I have not served as an independent board member in more than three companies over which the Company or the controlling shareholders of the Company hold management control and in more than five listed companies in total.

İzzet Karaca

Hüseyin Faik Açıkalın

Şevki Acuner

Tom Heidman

5.2 Operating Principles of the Board of Directors

As specified in corporate governance principles, the Board of Directors conducts its activities in line with the corporate governance principles of transparency, accountability, fairness, and responsibility. Taking the opinions of its internal committees into account, the Board of Directors devises internal control systems that incorporate risk management and information mechanisms and processes capable of minimizing the adverse impact of risks that might affect company stakeholders. The effectiveness of risk management and internal control systems is reviewed at least once a year. Information about the functionality and effectiveness of the internal control system is provided in the annual report.

As required by CMB Corporate Governance Communiqué II-17.1, the Board of Directors plays a proactive role in ensuring effective communication between the Company and its stakeholders and in addressing and resolving any disputes that may arise. To accomplish this, it cooperates closely with the Corporate Governance Committee and with the Investor Relations Department.

During 2018 the Migros Board of Directors passed 33 resolutions on a variety of subjects. Majority of the full membership were present at every meeting in which these decisions were taken and the decisions were passed by a majority of those in attendance. Under the articles of association, invitations to board meetings may be sent out by the chairman (or his deputy) at least three days in advance of the meeting date by means of fax, letter, or email. These invitations indicate the meeting date, time, place, and agenda. Whenever the board is convened, it may agree upon a schedule for the regular conduct of meetings during the year.

A secretariat is charged with organizing and conducting meeting-related matters both before and after meetings are held. This secretariat is also responsible for the regular maintenance of meeting-related records, for making entries in the Board of Directors Book of Resolutions, and for making this register accessible to board members for their inspection. Any and all manner of views may be expressed during board meetings. If any dissenting votes are cast against a particular resolution, information about this is included in the minutes along with the justifications for such dissent. No dissenting opinions were entered into the minutes of any board meetings that took place during 2018. Any questions that may be raised by board members and the answers given to them are also entered into the minutes. Issues pertaining to board meetings and decision quorums are governed by the Turkish Commercial Code and the and the Articles of Association.

The agendas for board meetings are determined in line with the suggestions and guidance of board members and senior executives. Even if no other item has been placed on a meeting's agenda, the Company's monthly financial statements and investment program are discussed.

Each member of the Migros Board of Directors is entitled to one vote. No members have been granted weighted voting or veto rights.

Members of the Migros Board of Directors are covered by insurance against the risk that the Company may suffer a loss on account of misjudgment and errors in the performance of their duties. Liability insurance policies in the amount of USD 25 million have been taken out on board members and senior executives in 2018. This matter has been announced on KAP.

Members of the Board of Directors are not allowed to vote in the issue of acquitting board members of their fiduciary responsibilities at general assembly meetings.

The duties and authorities of board members and managers are defined in the Company's articles of association.

5.3 Number, Structure, and Independence of Committees Established within the Board of Directors

An audit committee, a corporate governance committee and an early detection of risk committee have been set up both in compliance with the requirements of CMB Corporate Governance Communiqué II-17.1 and in order to help the Board of Directors better fulfill its duties and responsibilities. Owing to the structure of the board, neither a nominating committee nor a remuneration committee has been set up: the functions of such committees are performed by the Corporate Governance Committee. These committees' areas of responsibility, their working principles, and their memberships are determined and publicly disclosed by the Board of Directors.

Under CMB Corporate Governance Communiqué II-17.1, all audit committee members and the heads of other committees must be selected from among a board's independent members. Care is taken to avoid having any single board member serving on more than one committee. No executive board member or general manager may serve on these committees.

The activities of the board's Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee for 2018 have been reviewed and assessed by the board. It was ascertained that in the conduct of their operations these committees had been mindful of the requirements of laws and regulations and that their activities had a beneficial impact on the Company's practices.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

a. Audit Committee

At a meeting of the Board of Directors held on 20 June 2018, it was decided that the Audit Committee should consist of two independent board members and that İzzet Karaca and Şevki Acuner were elected to fill these seats. In compliance with CMB regulations, İzzet Karaca was chosen to serve as committee chairman.

Audit Committee

İzzet Karaca	Committee Chairman	Independent Member	Non-executive
Şevki Acuner	Member	Independent Member	Non-executive

⁸⁶ Besides auditing the Company's accounting system and its publicly disclosed financial statements, the Audit Committee also oversees the operation and effectiveness of independent auditing and of the Company's internal control and internal audit systems. As required by Corporate Governance Principles, the selection of independent auditors, the preparation of independent auditing contracts and the initiation of independent auditing processes, and every stage of the activities of the independent auditors are subject to the oversight of the Audit Committee.

The Audit Committee determines methods and criteria that are to be applicable when examining and finalizing any complaints the Company receives about its accounting and internal control system or its independent auditing and when company personnel are given access to confidential reports about in-house accounting and independent auditing matters.

Every year, the Audit Committee submits its proposal for the designation of the Company's independent audit firm for the fiscal year from 1 January until 31 December.

Prior to the public disclosure of annual and interim financial statements and having consulted and obtained the opinions of the Company officers concerned and of the independent auditors, the Audit Committee provides the Board of Directors with a written declaration concerning its

own assessment of the statements' compatibility with respect to the Company's approved accounting principles and of their truthfulness and accuracy.

The Audit Committee convenes at least four times a year. The results of these meetings are set down in minutes that are submitted to the Board of Directors along with any decisions that are taken. Information about the Audit Committee's operations and meeting results is included in the Company's annual report.

The Audit Committee immediately notifies the Board of Directors in writing of any findings it makes concerning its duties and areas of responsibility and of its assessments and recommendations concerning such matters.

Operating Principles of the Audit Committee

Purpose and Scope

Set up under the Capital Market legislation, the Audit Committee reports to the Board of Directors.

The purpose of the Audit Committee is to verify that the Company's accounting and reporting system runs in accordance with applicable laws and regulations, to supervise the audit and public disclosure of financial information, and the operation and efficiency of independent audit and internal control system.

Authority

The Audit Committee is formed and authorized by the Board of Directors, which also sets out its duties and operating principles. As and when it deems necessary, the Audit Committee seeks opinion from independent experts regarding its activities, and the cost of necessary advisory services are borne by the Company.

The Audit Committee acts within the frame of its authorization and responsibilities, and makes recommendations to the Board of Directors, which is ultimately responsible for the final decision at all times.

Detailed information about the Committee structure and meetings, duties and responsibilities, basis and enforcement is provided under the Investor Relations tab on our corporate website. (www.migroskurumsal.com)

b. Corporate Governance Committee

The Migros Board of Directors has set up a corporate governance committee to oversee corporate governance practices at the Company and to coordinate the activities of the Investor Relations Department. At its meeting on 20 June 2018, the board decided to elect Hüseyin Faik Açıkalın, Kamilhan Süleyman Yazıcı, Recep Yılmaz Argüden and Investor Relations Group Manager Affan Nomak as the members of the Corporate Governance Committee. In compliance with CMB regulations, the board also decided to appoint Hüseyin Faik Açıkalın to head the committee.

Corporate Governance Committee

Hüseyin Faik Açıkalın	Committee Chairman	Independent Member	Non-executive
Kamilhan Süleyman Yazıcı	Member	Not an Independent Member	Non-executive
Recep Yılmaz Argüden	Member	Not an Independent Member	AG Anadolu Grubu, Member of the Board of Directors
Affan Nomak	Member	Not an Independent Member	Investor Relations Group Manager

It was decided that the Corporate Governance Committee should also fulfill the duties of both a nominating committee and a remuneration committee as is allowed by CMB Corporate Governance Communiqué II-17.1. Accordingly and in the fulfillment of its duties as a nominating committee, the Corporate Governance Committee is responsible for creating a transparent system capable of identifying, vetting, and training suitable candidates to fill seats on the Board of Directors and to undertake management positions that have administrative responsibilities and to develop policies and strategies for dealing with such issues. The Corporate Governance Committee also makes regular assessments of the structure and efficiency of the Board of Directors and submits to the board its recommendations for possible changes in such matters.

In the fulfillment of its duties as a remuneration committee, the Corporate Governance Committee determines and oversees principles, criteria, and practices which are to be used in the remuneration of members of the Board of Directors and of managers with administrative responsibilities and which take the Company's long-term goals into account. The committee submits to the Board of Directors its recommendations concerning the remuneration that is to be paid to members of the Board of Directors and to managers with administrative responsibilities subject to the degree

to which the recipients have satisfied remuneration-related criteria.

As defined by the Board of Directors in accordance with the same communiqué and other pertinent laws, regulations, and administrative provisions, the principal activities of this committee consist of determining whether or not corporate governance principles are being complied with and, if they are not being complied with, of identifying the reasons why and also any conflicts of interest arising from less than full compliance; of making recommendations to the Board of Directors to improve corporate governance practices; and of overseeing the activities of the Investor Relations Department. The goal of these efforts is to continuously improve the Company's corporate governance practices. The committee consists of four members and meets at least four times a year.

Operating Principles of the Corporate Governance Committee

Purpose and Scope

Set up under the Capital Market legislation, the Corporate Governance Committee reports to the Board of Directors.

In line with the CMB Corporate Governance Communiqué (II-17.1), the purpose of the Corporate Governance Committee is to establish whether corporate governance principles are implemented at our Company, the reasons for non-implementation, if applicable, and

conflicts of interest resulting from failure to achieve complete alignment with these principles. The Committee is responsible for suggesting improvements regarding corporate governance practices to the Board of Directors and for overseeing the activities of the Investor Relations Department.

Pursuant to the Corporate Governance Communiqué, the Corporate Governance Committee fulfills the functions of the Nomination Committee and the Remuneration Committee, as well.

Authority

The Corporate Governance Committee is formed and authorized by the Board of Directors, which also sets out its duties and operating principles. As and when it deems necessary, the Corporate Governance Committee seeks opinion from independent experts regarding its activities, and the cost of necessary advisory services are borne by the Company.

The Committee acts within the frame of its authorization and responsibilities, and makes recommendations to the Board of Directors, which is ultimately responsible for the final decision at all times.

Detailed information about the Committee structure and meetings, duties and responsibilities, basis and enforcement is provided under the Investor Relations tab on our corporate website. (www.migroskurumsal.com)

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

c. Early Detection of Risk Committee

At a meeting of the Board of Directors held on 20 June 2018, it was decided to elect Tom Heidman, Talip Altuğ Aksoy and Hüseyin Faik Açıkalın to seats on an early detection of risk committee which had been set up in compliance with the requirements of Turkish commercial law, capital market laws and regulations, and corporate governance principles. As also required by Capital Markets Board regulations, Tom Heidman was designated as the committee's head.

Early Detection of Risk Committee

Tom Heidman	Committee Chairman	Independent Member	Non-executive
Talip Altuğ Aksoy	Member	Not an Independent Member	Non-executive
Hüseyin Faik Açıkalın	Member	Independent Member	Non-executive

88

As defined by the Board of Directors in accordance with the Turkish Commercial Code and capital market laws and regulations, the activities of the Early Detection of Risk Committee consist of identifying, at an early stage, risks that might endanger the Company's existence, well-being, and continuity; of taking measures needed to deal with such risks; and of managing risk. The Early Detection of Risk Committee performs a review of risk management systems at least once a year. The committee convenes six times a year.

Operating Principles of the Early Detection of Risk Committee

Purpose and Scope

Set up under the Capital Market legislation and in accordance with Article 378 of the Turkish Commercial Code, the Early Detection of Risk Committee reports to the Board of Directors.

The purpose of the Early Detection of Risk Committee is to early detect the risks that may threaten the existence, development and survival of the Company, to implement the necessary measures in relation to identified risks, and to manage the risk.

Authority

The Early Detection of Risk Committee is formed and authorized by the Board of Directors, which also sets out its duties and operating principles. As and when it deems necessary, the Early Detection of Risk Committee seeks opinion from independent experts regarding its activities, and the cost of necessary advisory services are borne by the Company.

The Early Detection of Risk Committee acts within the frame of its authorization and responsibilities, and makes recommendations to the Board of Directors, which is ultimately responsible

for the final decision at all times.

Detailed information about the Committee structure and meetings, duties and responsibilities, basis and enforcement is provided under the Investor Relations tab on our corporate website. (www.migroskurumsal.com)

5.4 Risk Management and Internal Control Mechanisms

Borrowings

As at 31 December 2018, TRL equivalent of the Company's loan payables is TRL 4,570,097 thousand.

The repayment schedule for the nominal principal amount of the Company's financial payables as at 31 December 2018 is as follows:

(TRL thousand)	Tenge loan (TRL equivalent)	Euro loan (TRL equivalent)	TRL Loan	Total (TRL equivalent)	Share (%)
1 January 2019- 31 December 2019	2,776	569,455	412,854	985,085	21.7%
1 January 2020- 31 December 2020	13,631	698,872	166,532	879,035	19.4%
1 January 2021- 31 December 2021	16,290	828,333	128,967	973,590	21.4%
1 January 2022- 31 December 2022	15,894	983,625	64,084	1,063,603	23.4%
1 January 2023 - 12 September 2023	3,517	595,333	38,786	637,636	14.0%
	52,108	3,675,618	811,223	4,538,949	100.0%

Risk Management

Pursuant to the applicable provisions of the Turkish Commercial Code, the Early Detection of Risk Committee, which is charged with early diagnosis of risks that may threaten the existence, development and survival of the Company, and with ensuring that necessary actions are taken in relation to those risks, carried on with its activities in 2018.

Within the scope of the activities conducted with the Company employees, the Committee follows up various risk indicators, which have been created to ensure identification of the risks that could preclude the achievement of the Company's strategic business goals, to monitor the factors that make up these risks, to determine and measure the probability and impact of the risks, and follows up the risk criteria deemed important.

Within the scope of the activities conducted with the Company employees, the Committee has identified the major types of risks that the Company may be exposed to. Various risk indicators have been created to monitor and measure the factors that make up these types of risks. These risk indicators are analyzed and followed up by the related Company units, and changes are monitored by the Risk Committee. In periodic meetings, the Risk Committee evaluates whether appropriate actions have been taken.

Internal Audit

In the conduct and performance of its financial and operational reviews, the Internal Audit Department adheres to the following principles.

- Effective utilization of the resources of the Company,
- Effectiveness of the internal control mechanisms on operations,
- Reliability of financial statements,
- Confirmation of Company assets
- Efficiency and effectiveness of business operations,
- Compliance of employees with the quality management documentation and administrative instructions approved by the management,

The basic activities of the Internal Audit Department consist of, among others, investigating/examining activities and transactions which involve previously identified and reported risk elements in order to ascertain the degree at which such risks have been eliminated or taken under control in line with management-approved recommendations, and repeating the audit in cases where detailed investigations and examinations are necessary.

Any problems that may be discovered during the course of audit activities are investigated in detail to allow adoption of necessary measures while recommendations are also made for compensating the Company's ascertained loss. Necessary changes to the system and processes so as to prevent recurrence of similar incidents make up the focal point of these efforts.

In line with the annual internal audit plan created according to the risk-based audit universe, the Internal Audit Department conducted financial and operational audits of various departments and processes in 2018. Assessments and recommendations resulting from the audits were submitted to Company's senior management in the audit reports prepared, and were also addressed in the Audit Committee meetings for pointing out the improvement areas in line with the continuous development philosophy. The Internal Audit Department also conducted follow-up audits on issues about which senior management was previously informed and for which measures were agreed upon.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

5.5 Mission, Vision and Strategic Goals of the Company

The Company's vision is to be always the first choice of customers by providing a unique convenience and trustworthy shopping experience.

The Company's mission is to provide a unique shopping experience through its ultimate service approach, pioneer applications, broad product portfolio and family budget friendly pricing strategy, and to create value for all stakeholders through its eco friendly and community-focused operational approach.

In line with this mission, Migros structures its strategies to achieve sustainable quality and earn respect as the industry leader through an approach to customer satisfaction which raises the standards of retailing in the countries in which it is active.

The senior management of the Company develops strategies to achieve these objectives in accordance with the vision defined by the Board of Directors. Accordingly, our main strategy is to provide our customers with high quality, modern, reliable services at affordable prices. Targets set to achieve these strategies are shared with all the organizational units and supported by business plans. The Corporate Performance Management System in place facilitates monitoring and evaluation of these targets and business results as well as their assessment and revision whenever necessary.

Annual, quarterly and monthly reporting structures have been created to enable the Board of Directors to carry out its basic administrative functions such as planning, organizing and supervising.

Members are kept informed by means of annual meetings at which the most recent five-year plan is presented to the Board of Directors, by annual budget and review meetings, and by monthly meetings at which the Company's business results are presented and the board's feedback is solicited. Detailed monthly reports are also submitted to the board for its information. In this way, all the members of the Board of Directors are able to track the Company's ongoing efforts to fulfill its targets and to immediately intervene and provide guidance when necessary.

5.6 Financial Rights Provided to Board Members and to Managers with Administrative Responsibilities

The financial rights to be provided to the members of the Board of Directors are discussed as a separate agenda item at general assembly meetings. At a general assembly meeting held on 15 May 2018, shareholders voted to pay independent board members a total annual remuneration of TRL 110,000 (net) in monthly installments, to pay independent board members residing abroad an additional attendance fee of TRL 8,000 (net) for each board meeting they attend, and not to pay any monthly salary or attendance fees to other board members. The remuneration of independent board members involves neither company stock

options nor company performance-based compensation plans. All the benefits provided to senior executives are declared in the footnotes to the financial statements.

The Remuneration Policy applicable to members of the Board of Directors and senior executives was published on the corporate website at www.migroskurumsal.com.

Benefits Provided to Senior Executives During the Reporting Period

"Senior management" is defined as the chairman and members of the Company's Board of Directors, general manager and assistant general managers.

The benefits provided to senior executives consist of salaries, bonuses, pension contributions, company-leased automobiles, and employer's share of social security premiums.

Migros makes no loans and extends no credit to any senior executive. Neither does it extend any form of personal credit to senior executives through third parties or otherwise provide senior executives with any form of surety.

Details concerning benefits provided to senior executives are presented below.

(TRL thousand)	2018	2017
Short-term benefits provided to employees	38,595	31,971
Total	38,595	31,971

OTHER ISSUES

No administrative or criminal proceedings of a significant nature have been initiated against the Company or any of its board members on account of any violation of laws or regulations.

A number of lawsuits that have been filed against or in favor of the Company are currently being litigated. These suits are concerned primarily with receivable-, rent-, or business-related issues. At the end of each reporting period, the Company's management reviews and assesses the potential consequences and financial impact of such litigation and, based on its best judgment, provisions are set aside to cover likely losses or gains. Detailed information about such matters is provided in the consolidated financial statements. The Company is not a party to any mutual cross-shareholding.

According to the agreement signed by and between our Company and Tez-Koop trade union last year, the collective bargaining agreement covers the period between 1 May 2017 and 31 December 2019.

Other issues related to corporate governance principles are presented below.

a) Company Disclosure Policy

Material events are publicly disclosed in a truthful and timely manner as prescribed by CMB Communiqué II-15.1 concerning such matters. In addition, any and all manner of significant information that might influence shareholders' and other stakeholders' decisions is also publicly disclosed. In the public disclosure of such information, the following channels are used depending on the nature and particulars of the announcement:

- Material event disclosures sent to the Public Disclosure Platform,
- Financial reports sent to the Public Disclosure Platform,

- Annual and interim reports,
- The corporate website at www.migroskurumsal.com,
- Informational and presentation documents published for stakeholders,
- Prospectuses, circulars, notices and other documentation issued pursuant to capital market laws and regulations,
- Printed and visual media press releases,
- Notices and announcements published in Turkish Trade Registry Gazette and in daily newspapers.

In order to ensure that shareholders and other stakeholders have convenient access to public disclosures such as presentations, press releases, and press conferences, such materials are also published on the Company's corporate website at www.migroskurumsal.com. Information publicly disclosed through the Public Disclosure Platform is also sent to financial data providers and to printed and visual media.

The identities of individuals who may have access to confidential company information before the public disclosure of material events are publicly disclosed. The names of the Company's board members and senior executives are published in the annual report along with that of the independent auditors. Information about any changes taking place in the Company's senior management during the reporting period was provided in the annual report.

In situations where CMB regulations require a public announcement concerning news, statements, and/or rumors about the Company which appear in the press, in other media, or on websites and of which the Company becomes aware, Public Disclosure Platform announcements are used to make such disclosures, depending on their nature; in order to ensure that shareholders and other stakeholders have

convenient access to such disclosures, they are also published on our corporate website at www.migroskurumsal.com.

The Migros Disclosure Policy is formulated by the Board of Directors and updated as circumstances and regulations dictate. This policy is presented to shareholders convened in a general assembly and then published on the Company's corporate website at www.migroskurumsal.com. The Investor Relations Department strives to respond to questions that shareholders ask the Company truthfully, completely, equitably, and within the framework of this disclosure policy.

The Migros Disclosure Policy requires that any and all manner of information must be provided upon request unless such information is in the nature of a trade secret or, if divulged, would give other individuals or organizations a competitive advantage over Migros or would have an adverse impact on the Company's activities.

Like its public disclosure policy, the Migros Dividend Policy is also formulated by the Board of Directors and publicly disclosed by being included in the Company's annual report, published on the Company's corporate website at www.migroskurumsal.com, and presented to shareholders convened in a general assembly.

When identifying individuals who will have administrative responsibility at the Company, the requirements and criteria stipulated in the Turkish Commercial Code (Statute 6102), the Capital Markets Law (Statute 6362), CMB communiques, and other applicable laws, regulations, and administrative provisions are taken into account.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

b) Material Event Disclosures

During 2018 the Company submitted 86 material event disclosures to the Public Disclosure Platform. Whenever the Public Disclosure Platform demanded further information about such announcements or the Company's response to news appearing in the media, the Company responded to such requests urgently.

Periodic financial statements, notes, annual reports and interim annual reports are shared with the public to provide an accurate and complete view of the Company's financial position. Financial

92

statements are prepared in compliance with national/international accounting standards in consolidated format in compliance with communiques issued by the CMB. The accounting policies of the Company are referred to in the notes to financial statements. The Company's annual reports are prepared in sufficient detail to allow all concerned parties to obtain the necessary information and are updated every fiscal year in line with the applicable legislation/needs.

After every public disclosure of the Company's quarterly financial statements

in 2018, presentations and bulletins concerning them were published on the Company's corporate website at www.migroskurumsal.com to inform shareholders. The Public Disclosure Platform has been notified that the said information was posted on the corporate website.

The Company designates an independent audit firm each year and requires this independent audit firm to rotate after a given period. Consultancy services are not obtained from the firm designated as an independent auditor.

c) Disclosure of Ultimate Controlling Individual(s) Shareholder(s)

The shareholding structure of Migros is presented below.

Shareholder structure

Shareholder	Share (%)	Share Amount (TRL)
MH Perakendecilik ve Ticaret A.Ş.	49.18	89,046,058
Kenan Investments S.A.	14.88	26,937,336
Moonlight Capital S.A.	7.94	14,371,000
Migros Ticaret A.Ş.	1.64	2,962,116
Others	26.37	47,737,723
Total	100.00	181,054,233

Legal and Real Persons Indirectly Holding an Interest in the Capital as per the Latest Situation

Shareholder	Share Amount (TRL)	Share (%)
BC Partners	33,449,020.53	18.47
Süleyman Kamil Yazıcı	18,366,305.46	10.14
Tülay Aksoy	15,524,852.95	8.57
Tuncay Özilhan	15,261,228.98	8.43
DeA Capital	7,185,164.98	3.97
Süleyman Vehbi Yazıcı	2,605,695.49	1.44
Vahit Yazıcı	2,030,467.72	1.12
Hidayet Yazıcı	1,929,829.26	1.07
Nilgün Yazıcı	1,849,198.62	1.02
Fazilet Yazıcı	1,833,892.60	1.01
Gülten Yazıcı	1,832,040.31	1.01
Gülşen Yazıcı	1,815,022.88	1.00
Turkish Private Equity Fund II	1,361,211.03	0.75
AG Anadolu Grubu Holding A.Ş. Other	27,478,581.52	15.18
Total	132,522,512.33	73.19

There are no preferred shares.

Information about changes in the Company's capital structure taking place during the year was publicly disclosed immediately through the Public Disclosure Platform system. Such changes are also announced in the pertinent sections of the Company's 2018 annual report.

Under the Material Events Communiqué II- 15.1, material event disclosures must be made by the Company's Chairman, board members, general manager, or assistant general managers, by any shareholder who directly or indirectly controls 5% or more of the Company's capital or voting rights, or by anyone acting in concert with any of these whenever they purchase or sell Migros shares. No such dealings of this nature occurred during the reporting period.

d) Public Disclosure of Individuals Who Are In a Position to Access Inside Information

Names of the members of the Board of Directors and auditors of our Company and of those in senior management positions as well as any changes to the senior management during the year are presented in the Annual Report. Information about the individuals who have access to insider information about the Company is provided below.

93

Board of Directors

Tuncay Özilhan	Chairman
Nikolaos Stathopoulos	Vice-Chairman
Salih Metin Ecevit	Member
Talip Altuğ Aksoy	Member
Kamilhan Süleyman Yazıcı	Member
Stefano Ferraresi	Member
Salim Abdullah Khalfan Al Ma'mari	Member
Ömer Özgür Tort	Member and General Manager
İzzet Karaca	Independent Member
Hüseyin Faik Açıkalın	Independent Member
Sevki Acuner	Independent Member
Tom Heidman	Independent Member
Ömer Özgür Tort	General Manager
Ahmet Fuat Yanar	Assistant General Manager
Ferit Cem Doğan	Assistant General Manager
Olcay Yılmaz Nomak	Assistant General Manager
Cem Lütfi Rodoslu	Assistant General Manager
Hakan Şevki Tuncer	Assistant General Manager
Tarık Karlidaş	Assistant General Manager
Mustafa Murat Bartın	Assistant General Manager
Kerim Tatlıcı	Assistant General Manager
Bülent Kuntay	Assistant General Manager

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In addition to the Company's Board of Directors and Senior Management, individuals serving in director position, Financial Affairs department managers, and reporting managers at the Company have access to inside information due to their functions.

Under Article 7 (5) of the Material Events Communiqué (II-15.1), our Company makes sure that individuals with access to inside information are aware of their obligations in relation to such information stemming from the Law and applicable legislation, as well as the sanctions related to their misuse.

As a consequence of its auditing functions, the Company's independent auditors PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. also has access to insider information.

e) Silent Period

The Chief Executive Officer, Chief Financial Officer, Corporate Communications Director, Investor Relations Group Head, and the Chairman and members of the Board of Directors and other Company executives designated by the Corporate Governance Committee are assigned to act as spokespeople to represent our Company in all contacts with shareholders, investors, brokerage analysts and other stakeholders through any communication channel, including the printed press, within the frame of the Company's disclosure policy.

Individuals designated as Company spokespeople are obliged to abide by the Silent Period practice, which starts one week before the disclosure of quarterly financial results and lasts until the date of such disclosure.

The beginning and ending dates of the Silent Period practice are published on the corporate website, under the heading Financial Calendar once the disclosure dates of financial statements are fixed. The disclosure dates of financial results

and the corresponding Silent Periods are fixed before financial statements are disclosed, and announced by way of the Financial Calendar.

During the course of the Silent Period, Company spokespeople may not make comments regarding the Company's financial position, except for the information publicly disclosed in the name of the Company. In this period, analysts', investors' and similar individuals' questions about the financial position are left unanswered. Yet, people authorized to make public disclosures about the Company may participate in conferences, panels and similar events and deliver speeches during the Silent Period, strictly provided that they observe the confidentiality of inside information.

f) BIST Sustainability Index of Borsa İstanbul

Taking place in the BIST Sustainability Index since November 2014 – October 2015 period when the index was started to be calculated, and the only food retailer company in it, Migros continues to take place in the index in the November 2018- October 2019 period. The Company's sustainability activities can be reached under the Sustainability tab on the corporate website and under the Sustainability Report tab on the Investor Relations page.

g) Relations with Customers and Suppliers

Getting to know its customers and markets by monitoring and acting proactively on them and pioneering change are among the crucial factors behind the innovative business style of Migros. For this reason, a number of "firsts" such as consumer rights took hold in the retail industry only after they were introduced by Migros as early as in the 1960s and 1970s. By introducing the Migros Club system for the first time in Turkey, in 1998, Migros had an opportunity to become better acquainted with its customers and provide them

with differentiated service. And through this system, the Company gained the opportunity to approach its customers not only collectively but also individually by conducting customer data analyses. Migros aims to fulfill the expectations of its customers as satisfactorily as possible through the stores it operates in different formats.

In the retail industry where any product seen in any store can be imitated quickly, Migros' experience and deep-rooted innovation embedded in its corporate culture, as well as investments in supporting technology, together create a competitive advantage that cannot be easily replicated.

In the 1990s, Migros became the first retail company to introduce the barcode system and electronic cash registers which reduced waiting times at the checkout counters and decreased the Company's operating costs dramatically. Thanks to the B2B system which has been set up jointly with suppliers, all the parties involved benefit from savings in both logistics and costs. This system benefits all the stakeholders, and especially the Company's customers.

Migros has conducted a Customer Satisfaction Survey regularly since 1994. Many customers who shop at our stores are asked about their opinion. The analyses undertaken on the survey results help us to have an idea about the current and future expectations of our customers. Occasional surveys conducted at kiosks inside the stores on specific matters provide the Company with the chance to hear the customers and their expectations.

Customer Relationship Management (CRM) analysis of Migros Club data and the mystery shopper surveys which are aimed at improving the service levels are quality-based performance tools specific to Migros.

Some of the other activities undertaken to achieve customer satisfaction include:

- Migros was awarded ISO 9001 Quality Management System certification in August 2005 upon an inspection conducted by the Turkish Standards Institution (TSI), its first quality management system certificate.
- Migros was awarded TS EN ISO 22000 Food Safety Management System certification in December 2006 upon an inspection conducted by the TSI, its second quality management system certificate.
- Migros selects each of its suppliers after conducting appropriate due diligence. Suppliers are audited by accredited independent organizations and products are subjected to periodic analyses both at the time of the acceptance of goods and also at accredited laboratories thus ensuring their quality control and regulatory compliance.
- Migros continued to work on processes, was inspected by the TSI, and further expanded its perspective of integrated quality management systems by obtaining the ISO 10002 Customer Satisfaction Management System certification in November 2013.
- Migros has also certified its commitment to the principle of "Customer Satisfaction". TS ISO 10002 Customer Satisfaction Management System certification enables improvement of product and service quality based on customer feedback.
- Migros established its "Occupational Health and Safety Management Processes" and obtained OHSAS 18001 Occupational Health and Safety Management System certification in July 2015 upon an inspection conducted by the TSI.
- In 2016, Migros established its Environmental Management System processes, and qualified to receive TS EN ISO 14001 Environmental Management System certificate upon an inspection conducted by the TSI. With this certification, Migros became the first food retailer holding five certificates granted by the TSI (Turkish Standards Institution) within the scope of Quality Management Systems.
- In 2017, Migros switched to ISO 9001:2015 Quality Management System version.
- The Company continued with its Quality Management System activities in 2018; accordingly, the activities of the Internal Audit Division unit were audited and ISO 9001 Quality Management System Certificate was obtained exclusively for the Internal Audit Division. The certification provided standardization of the domestic and overseas internal audit, assurance and consultancy activities performed by our Internal Audit Division at our units, and establishment of a continuously improving structure.
- For the purpose of offering high quality products to its customers, Migros obtained FSSC 22000 Food Safety Management System certificate for its MİGET and Gebze Meat Production Plants in addition to the management systems in place at the meat processing facilities carrying out production.
- Being the first food retailer holding five certifications awarded by the TSI since 2016, Migros enjoys the deserved pride of being the first food retailer holding seven certifications granted by the TSI as of 2018.
- Migros had the data covered under the headings "Human Rights (Discrimination, Right to Organize and Collective Bargaining, Child Labor, Forced or Compulsory Labor)" in its Sustainability Report released in 2017 verified by Ernst&Young in line with the GRI Guidelines in 2018, and thus received "External Assurance Statement".
- Migros has espoused "Good Agricultural Practices" expressed by the motto "Good Agriculture = Good Future", which is one of the Company's social responsibility initiatives in the area of "health", and an agricultural model that is designed to be socially viable, economically productive, while protecting human, animal and environmental health.
- On 17 November 2009, Migros became the first retailer in Turkey to be awarded GAP group certification. The Company has continued to abide by GAP principles and its certification has been renewed every year since then.
- Having made internationally recognized food safety standards the touchstone of its practices and operations, Migros has adopted the mission of supplying wholesome products under safe conditions in order to guarantee the unreserved confidence of its customers. In line with this goal, food products are carefully and constantly monitored and controlled from initial procurement until they reach the consumer.
- Under Migros' "Supplier Performance System", the production premises of all food and non-food suppliers are systematically inspected and monitored using globally recognized BRC and SEDEX-based checklists within the scope of quality and product safety management systems. Products are randomly sampled and subjected to quality control analyses at regular intervals.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- 96
- Every new product to be put on sale at the Company's stores undergoes preliminary quality control performed by quality experts and only those products approved by the quality control are put on sale.
 - Before they enter the Company's warehouses, goods received from suppliers are subjected to detailed organoleptic, chemical, and physical analysis based on many quality control parameters defined for each product by quality control experts. Goods that do not meet these stringent quality standards are rejected.
 - Cold chain assurance, one of the most essential criteria in achieving food safety, is constantly monitored online at every stage from distribution center and storage, during shipment, and until it reaches the final consumer.
 - Every food product that is put on Migros' shelves is randomly sampled and subjected to quality control analyses at regular intervals by accredited independent laboratories to ensure compliance with the Turkish Food Codex and with applicable laws, regulations, and administrative provisions.
 - Non-food imported products such as toys, stationery, textiles etc. are subjected to strict controls. Prior to their importation, the Company has these goods analyzed at accredited independent laboratories to ensure that they are safe and contain no harmful substances such as phthalate plasticizers or azo compounds.
 - Migros-labeled food and non-food items are subjected to even stricter controls. Such goods are not put on sale until and unless their places of production, labeling, and other applicable parameters have been checked and their compliance with laws and regulations has been established. Even after they appear on

the shelves, Migros reviews product safety by means of analyses performed at regular intervals.

- Products on shelves are regularly checked by a team of store quality specialists. During such checks, attention is given not just to cold chain continuity, labeling, and expiration dates but also to compliance with food safety system requirements.
- Personnel employed at all the stores attend training programs on hygiene in order to ensure quality safety.
- The Company's stores are subjected to unannounced inspections performed by second-party accredited independent agencies within the scope of integrated quality management systems, so as to ensure the safety of products sold to customers.
- In the promotional program of the Company called "Aksiyon", products are offered for sale at discount prices for a period of 15 days in all the stores.
- All customer requests, suggestions and complaints received at the stores or via the Call Center are evaluated and the results are communicated to customers as soon as possible. In order to offer an easier and more practical channel for customer communications, a system is in place for easily reaching company store managers, the toll-free customer line and by e-mail, which can be sent to managers at all levels.

Efforts to ensure full customer satisfaction are presented in the relevant section of the Annual Report.

h) Authorities and Responsibilities of Board Members and Managers

The duties and authorities of board members and managers are explicitly defined in the Company's articles of association, which may be found on the Company's corporate website at www.migroskurumsal.com.

The Migros Board of Directors is empowered to take decisions on all matters pertaining to whatever kinds of business and/or transactions are necessary for the Company to achieve its object and scope save for those that are exclusively reserved to the general assembly of shareholders by laws and regulations or by the Company's charter.

Managers' authorities and responsibilities are defined in their power of signature statements.

i) Prohibition on Doing Business with or Competing against the Company

No member engaged in any business transaction involving the Company or took part in any activity that could be deemed to be in competition with the Company.

j) Research & Development Activities

R&D costs incurred by the Company during 2018 amounted to TRL 20,955 thousand (2017: TRL 15,297 thousand).

Having received R&D Center certificate from the Ministry of Science, Industry and Technology, Migros Ticaret A.Ş. has continued with technical research and development activities in business development and software during 2018.

Under the Migros R&D center, Migros administrative units develop new initiatives for the improvement of processes in relation to retailing activities carried out at Store and Distribution Centers or for creation of new processes. Mostly entailing innovative solutions and smart systems integrated with technology, the applications also serve to touch our customers and suppliers.

k) Events after the Balance Sheet Date

Information on the events after the balance sheet date (subsequent events) is presented in the Consolidated Financial Statements and Independent Auditor's Report for the period 1 January - 31 December 2018.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH



To the General Assembly of Migros Ticaret A.Ş.

1. Opinion

97

We have audited the annual report of Migros Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 5 March 2019 on the full set consolidated financial statements for the 1 January - 31 December 2018 period.

YÖNETİM KURULUNUN YILLIK FAALİYET RAPORUNA İLİŞKİN BAĞIMSIZ DENETÇİ RAPORU

4. Board of Director's Responsibility for the Annual Report

The Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Group after the operating year,
 - the Group's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.



Burak Özpozayraz, SMMM
Partner

Istanbul, 5 March 2019

MİGROS TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

(Originally Issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Migros Ticaret A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Migros Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.
100

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment tests of indefinite-life intangible assets	How our audit addressed the key audit matter
<p>The carrying value of goodwill which is accounted for under indefinite-life intangible assets amounted to TL 2.252.992 thousand in the consolidated financial statements as of 31 December 2018. In accordance with TFRS, these indefinite-life intangible assets should be tested for impairment annually.</p> <p>Significant judgements and estimates are used in the impairment test performed by management. These are; earnings before interest, tax, depreciation and amortization ("EBITDA") growth forecasts, long term growth rates and discount rates. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, this impairment test is key matters for our audit.</p> <p>Please refer to notes 2 and 13 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.</p>	<p>We performed the following procedures in relation to the impairment test goodwill:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, • Evaluating management forecasts and future plans based on macroeconomic information by discussion with the Group management, • Comparing forecasted cash flows for each CGU with its historical financial performance, • Through involvement of our internal valuation specialists, assessing the reasonableness of key assumptions, including long term growth rates, discount rates and benchmarking these against rates used in the retail sector, • Testing of the setup of the discounted cash flow models and their mathematical accuracy, • Testing of the disclosures in the consolidated financial statements in relation to goodwill, and evaluating the adequacy of these disclosures for TFRS' requirements.

INDEPENDENT AUDITOR'S REPORT

Fair valuation of land, buildings and investment property	How our audit addressed the key audit matter
<p>The Group measured land, buildings and investment property in the consolidated financial statements at their fair value in accordance with TAS 16 "Property, plant and equipment" and TAS 40 "Investment property" standards. As a result of the valuation by independent professional valuation experts as of 31 December 2018, the increase in carrying amount and impairment of land, buildings and investment property is TL 111.462 thousand and TL 255.550 thousand respectively.</p> <p>102</p> <p>We considered the fair valuation of land, buildings and investment properties to be a key audit matter because the land, buildings and investment properties with a total carrying amount of TL 2.508.040 thousand (23% of total assets) represents a material percentage of the Group's assets as of 31 December 2018, and the valuation methods applied incorporate important estimations and assumptions such as average equivalence value calculated per square meter, equivalent market rates, estimated occupancy rates and discount rates.</p> <p>Accounting policies related to measuring land, buildings and investment properties are stated in Notes 2, 10 and 11.</p>	<p>We performed the following procedures in relation to the fair valuation of land, buildings and investment properties:</p> <ul style="list-style-type: none"> the evaluation of the competency, efficiency and independence of the independent professional valuation experts assigned by the Group management, the consistency of data such as rent revenue, discount rates and occupancy rates used by the independent professional valuation experts with the Group's records and with data selected on a sampling basis. Testing of the disclosures in the consolidated financial statements in relation to fair valuation of land, buildings and investment properties.

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

103

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.¹⁰⁴

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 5 March 2019.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik



Burak Özpozraz, SMMM
Partner
İstanbul, 5 March 2019

TABLE OF CONTENTS

	PAGE
CONSOLIDATED BALANCE SHEETS	102
CONSOLIDATED STATEMENTS OF INCOME	104
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME	105
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	106
CONSOLIDATED STATEMENTS OF CASH FLOWS	108
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	110-170
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS	110
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	111 <small>105</small>
NOTE 3 SEGMENT REPORTING	128
NOTE 4 CASH AND CASH EQUIVALENTS	132
NOTE 5 FINANCIAL INVESTMENTS	132
NOTE 6 TRADE RECEIVABLES AND PAYABLES	133
NOTE 7 OTHER RECEIVABLES AND PAYABLES	134
NOTE 8 INVENTORIES	135
NOTE 9 PREPAID EXPENSES AND DEFERRED REVENUES	136
NOTE 10 INVESTMENT PROPERTY	137
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	138
NOTE 12 INTANGIBLE ASSETS	140
NOTE 13 GOODWILL	142
NOTE 14 ASSETS HELD FOR SALE	142
NOTE 15 FINANCIAL LIABILITIES	143
NOTE 16 PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES	147
NOTE 17 EMPLOYEE BENEFITS	150
NOTE 18 REVENUE	152
NOTE 19 EXPENSE BY NATURE	153
NOTE 20 OTHER OPERATING INCOME AND EXPENSES	154
NOTE 21 REVENUES AND EXPENSES FROM INVESTMENT ACTIVITIES	155
NOTE 22 FINANCIAL INCOME	155
NOTE 23 FINANCIAL EXPENSES	155
NOTE 24 TAX ASSETS AND LIABILITIES	156
NOTE 25 CAPITAL, RESERVES AND OTHER EQUITY ITEMS	160
NOTE 26 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	161
NOTE 27 EARNINGS PER SHARE	162
NOTE 28 FINANCIAL RISK MANAGEMENT	163
NOTE 29 EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION	167
NOTE 30 FINANCIAL INSTRUMENTS	169
NOTE 31 SUBSEQUENT EVENTS	170

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 2017

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

	Notes	31 December 2018	31 December 2017
ASSETS			
Current Assets:			
Cash and cash equivalents			
	4	1.750.516	1.617.380
Financial investments			
	5	18.450	10.596
Trade receivables			
106			
Trade receivables from related parties	26	746	713
Trade receivables from third parties	6	120.368	96.197
Other receivables from third parties	7	27.584	42.512
Inventories	8	2.249.052	1.908.246
Prepaid expenses	9	71.897	50.673
Current income tax assets	24	49.477	-
Other current assets		10.382	5.890
Subtotal		4.298.472	3.732.207
Assets classified as held for sale	14	175.789	44.068
Total current assets		4.474.261	3.776.275
Non-current assets:			
Financial investments			
	5	1.165	1.165
Other receivables from third parties			
	7	5.480	3.596
Derivative instruments			
		-	10
Investment properties			
	10	32.325	342.731
Property, plant and equipment			
	11	3.863.042	3.740.288
Intangible assets			
Goodwill	13	2.252.992	2.252.992
Other intangible assets	12	226.250	160.687
Deferred tax assets	24	1.765	-
Prepaid expenses	9	27.581	24.931
Total non-current assets		6.410.600	6.526.400
Total assets		10.884.861	10.302.675

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 2017

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

	Notes	31 December 2018	31 December 2017
LIABILITIES			
Current liabilities:			
Short term borrowings	15	522.435	569.319
Short term portion of long term borrowings	15	706.655	468.718
Trade payables			
Trade payables to related parties	26	213.810	182.490
Trade payables to third parties	6	4.652.940	3.771.651
Employee benefits payables	17	131.949	136.212
Other payables to third parties	7	126.474	135.349
Deferred income	9	107.468	47.670
Taxes on income	24	-	25.850
Short term provisions			
Short term provisions for employee benefits	17	122.848	110.855
Other short term provisions	16	84.616	63.144
Other current liabilities		5.724	4.838
Total current liabilities		6.674.919	5.516.096
Non-current liabilities:			
Long term borrowings	15	3.341.007	2.874.437
Other payables to third parties	7	11.903	8.778
Deferred income	9	4.570	2.500
Derivatives		71.895	-
Long term provisions			
Long term provisions for employee benefits	17	145.477	117.753
Deferred tax liabilities	24	-	255.963
Total non-current liabilities		3.574.852	3.259.431
Total liabilities		10.249.771	8.775.527
EQUITY			
Attributable to equity holders of parent	25	632.904	1.470.494
Share capital		181.054	178.030
Other capital reserves		(365)	(365)
Treasury shares (-)	25	(125.435)	-
Additional contribution to share capital		22.074	27.312
Other comprehensive income/(expense) not to be classified to profit or loss			
- Defined benefit plans re-measurement (losses)		(9.265)	(8.684)
- Revaluation fund of property, plant and equipment		687.277	743.700
Other comprehensive income/expense to be classified to profit or loss			
- Currency translation differences		132.671	45.311
Restricted reserves		9.391	-
Accumulated losses		571.060	(27.516)
Net income/(loss)		(835.558)	512.706
Non-controlling interest		2.186	56.654
Total equity		635.090	1.527.148
Total liabilities and equity		10.884.861	10.302.675

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

	Notes	2018	2017
Revenue	18	18.717.358	15.344.047
Cost of sales (-)	18, 19	(13.468.821)	(11.262.081)
Gross Profit		5.248.537	4.081.966
General administrative expenses (-)	19	(564.669)	(535.230)
Marketing expenses (-)	19	(3.835.081)	(3.018.786)
108 Other operating income	20	275.995	157.060
Other operating expenses (-)	20	(683.692)	(382.187)
Operating profit		441.090	302.823
Income from investment activities	21	6.947	1.251.927
Expenses from investment activities (-)	21	(143.779)	(159.169)
Operating income before financial income/(expense)		304.258	1.395.581
Financial income	22	58.018	88.965
Financial expense (-)	23	(1.409.543)	(881.850)
Net profit/(loss) before tax from continuing operations		(1.047.267)	602.696
Tax expense from continuing operations		211.830	(93.660)
- Income tax expense (-)	24	(32.368)	(83.177)
- Deferred tax income/(expense)	24	244.198	(10.483)
Net (loss)/profit		(835.437)	509.036
Net income loss attributable to:			
- Non-controlling interest	121		(3.670)
- Equity holders of parent		(835.558)	512.706
Profit/(Loss) per share (TL)	27	(4,61)	2,83

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

	Notes	2018	2017
Net profit/(loss) for the period		(835.437)	509.036
Other comprehensive income/(loss):			
Items not to be reclassified to profit or loss			
- Defined benefit plan re-measurement (losses)/gains	17	(726)	620
- Revaluation fund of property, plant and equipment	11	(24.481)	873.310
		109	
Tax effect of items not to be reclassified to profit or loss			
- Defined benefit plan re-measurement (losses)/gains	24	145	(124)
- Revaluation fund of property, plant and equipment	24	5.401	(119.285)
Items to be reclassified to profit or loss			
Exchange differences on translation		88.475	21.985
Other comprehensive income/(loss), after tax		68.814	776.506
Total comprehensive income/(loss)		(766.623)	1.285.542
Total comprehensive loss attributable to:			
Non-controlling interests		1.333	6.841
Equity holders of parent		(767.956)	1.278.701

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(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	Treasury shares	Additional contribution to share capital	Share premium	Other comprehensive income/expenses not to be reclassified to profit or loss	Other comprehensive income/expenses to be reclassified to profit or loss	Cumulative translation differences
Balances at 1 January 2017	178.030	(365)	-	27.312	678.233	(9.180)		23.512
Transfers	-	-	-	-	(678.233)	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-
110 Total comprehensive income	-	-	-	-	-	744.196		21.799
Net income for the period	-	-	-	-	-	-	-	-
Cumulative translation differences	-	-	-	-	-	-	-	21.799
Defined benefit plans re-measurement gains	-	-	-	-	-	496	-	-
Revaluation fund of property, plant and equipment	-	-	-	-	-	743.700	-	-
Balances at 31 December 2017	178.030	(365)	-	27.312	-	735.016		45.311
Balances at 1 January 2018	178.030	(365)	-	27.312	-	735.016		45.311
Transfers	3.024	-	-	(5.238)	-	(37.246)	-	-
Decrease due to redemption of shares (Note 25)	-	-	(125.435)	-	-	-	-	-
110 Total comprehensive income	-	-	-	-	-	(19.758)		87.360
Net income for the period	-	-	-	-	-	-	-	-
Cumulative translation differences	-	-	-	-	-	-	-	87.360
Defined benefit plans re-measurement gains	-	-	-	-	-	(581)	-	-
Revaluation fund of property, plant and equipment	-	-	-	-	-	(19.177)	-	-
Balances at 31 December 2018	181.054	(365) (125.435)		22.074	-	678.012		132.671

Restricted reserves	Retained earnings		Attributable to equity holders of the parent	Non - controlling interests	Total equity
	Accumulated losses	Net (loss) /income for the period			
439.139	(844.731)	(300.157)	191.793	820	192.613
(439.139)	817.215	300.157	-	-	-
-	-	-	-	48.993	48.993
-	-	512.706	1.278.701	6.841	1.285.542
-	-	512.706	512.706	(3.670)	509.036
-	-	-	21.799	186	21.985
-	-	-	496		496
-	-	-	743.700	10.325	754.025
-	(27.516)	512.706	1.470.494	56.654	1.527.148
-	(27.516)	512.706	1.470.494	56.654	1.527.148
9.391	598.576	(512.706)	55.801	(55.801)	-
-	-	-	(125.435)	-	(125.435)
-	-	(835.558)	(767.956)	1.333	(766.623)
-	-	(835.558)	(835.558)	121	(835.437)
-	-	-	87.360	1.115	88.475
-	-	-	(581)	-	(581)
-	-	-	(19.177)	97	(19.080)
9.391	571.060	(835.558)	632.904	2.186	635.090

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

	Notes	2018	2017
Cash flows from operating activities:			
(Loss)/profit for the period		(835.437)	509.036
Adjustments related to reconciliation of net (loss)/profit for the period		2.071.834	393.506
Adjustments for depreciation and amortisation expenses	19	295.083	269.956
112 Adjustments for impairment on receivables	6	8.262	4.116
Adjustments for impairment on property, plant and equipment	21	130.149	153.114
Adjustments for inventory provisions	8	(13.250)	20.246
Adjustments for impairment on investment properties	10, 21	7.185	(134.967)
Adjustments for provision for employee benefits	17	85.164	81.510
Adjustments for provision for litigation	16	32.135	1.310
Adjustments for other provisions		-	(867)
Adjustments for interest income	20, 22	(75.826)	(52.165)
Adjustments for interest expense	23	340.495	270.253
Adjustments for deferred finance expense from term purchases	20	615.641	303.056
Adjustments for unearned finance income from term sales	20	(151.180)	(62.617)
Adjustments for unrealized foreign currency translation difference		938.121	556.974
Adjustments for fair value losses arising from derivatives		72.187	832
Adjustments for income tax expense	24	(211.830)	93.660
(Income)/loss on sale of property plant and equipment	21	(502)	(60.459)
Adjustment for bargained acquisition profit	21	-	(1.050.446)
Changes in working capital		600.599	502.947
Adjustments for increase in trade receivables		(32.236)	(33.701)
Adjustments for increase in other receivables related with operations		(44.630)	(13.773)
Adjustments for increase in inventories		(327.556)	(508.702)
Adjustments for increase in trade payables		954.058	985.189
Adjustments for increase in other payables related with operations		50.963	73.934
Cash flows from operating activities		1.836.996	1.405.489
Interest received		220.010	109.121
Interest paid		(657.091)	(326.772)
Employee benefits paid	17	(46.173)	(46.129)
Taxes paid		(106.548)	(78.337)
Other provisions paid	16	(11.233)	(12.547)
Net cash provided by operating activities		1.235.961	1.050.825

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

	Notes	2018	2017
Cash outflows from the purchase of tangible and intangible assets	10, 11, 12	(487.751)	(399.222)
Cash outflows due to subsidiary acquisition		-	(178.792)
Cash inflows from the sale of tangible and intangible assets		127.366	137.618
Other cash inflows		-	49.167
Cash flows from investing activities		(360.385)	(391.229)
Proceeds from borrowings	15	320.375	210.776
Repayment of borrowings	15	(625.449)	(164.819)
Acquisition of treasury shares	25	(125.435)	-
Cash paid with respect to derivative instruments		(282)	(222)
Interest received	22	6.766	7.465
Interest paid		(316.147)	(253.878)
Cash flows from financing activities		(740.172)	(200.678)
Increase in cash and cash equivalents before effect of exchange rate changes		135.404	458.918
Effect of exchange rate changes on cash and cash equivalents		(2.268)	2.520
Net increase in cash and cash equivalents	4	133.136	461.438
Cash and cash equivalents at the begining of period	4	1.617.380	1.155.942
Cash and cash equivalents at the end of period	4	1.750.516	1.617.380

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

As of December 31, 2018, the direct and indirect total of Migros's capital shares of Moonlight Capital S.A. and Kenan Investments S.A.

¹¹⁴ equal to 23.2% and the indirect share of Anadolu Group is 50%. Group jointly managed by Moonlight Capital S.A., Kenan Investments S.A. and AG Anadolu Grubu Holding A.Ş. ("Anadolu Group").

Through its Migros, 5M, Migros Jet and Macrocenter banner stores in Turkey, shopping centers, Ramstores banner stores abroad and internet, the Company is mainly engaged in the retail sales of food and beverages, consumer and durable goods. The Company also rents floor space in the shopping malls to other trading companies. As of 31 December 2018, the Group operates in 2.103 stores in total (31 December 2017: 1.897) which comprise 1.486.668 m² from 2.084 retail stores and comprise 10.677 m² from 19 wholesale stores with a total net space of 1.497.345 m² (31 December 2017: 1.416.355 m²). As of 31 December 2018, the Group employed 28.990 people (31 December 2017: 26.779) on average. Retail is the main business segment of the Group and constitutes almost 96% of gross sales (31 December 2017: 97%).

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 5 March 2019 and signed by Ö. Özgür Tort, General Manager, and Ferit Cem Doğan, Assistant General Manager, on behalf of the BOD. General Assembly of the Company and regulators have the right to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

Subsidiaries:

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

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

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

^(**) As per the decision of Board of Directors dated 27 August 2018, Migros decided to carry out a facilitated merger with Kipa, one of its subsidiaries, and this decision was registered on 31 August 2018.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Basis of preparation and presentation of financial statements

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

115

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the the consolidated financial statements of the Group have been prepared accordingly.

The Company and its Turkish subsidiaries, associates and joint ventures maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TFRS.

2.1.2 Changes in the accounting policies, estimates and errors

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

2.1.3 Functional and reporting currency

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

Group companies

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

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

2.2 Summary of significant accounting policies

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

(a) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.
116

Subsidiaries are companies over which Migros Ticaret has capability to control the financial and operating policies for the benefit of Migros Ticaret, through the power to exercise more than 50% of the voting rights relating to shares in the companies owned direct and indirect by itself having the power to exercise control over the financial and operating policies.

Intercompany transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

(b) Foreign currency translation

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

(c) Revenue

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The specific accounting policies for the group's main types of revenue are explained below:

Sales of goods - Retail

The Group operates in the retail sales of food and beverages, consumer and durable goods through its stores, shopping centers, Ramstores Banner abroad and internet sales. Sales of goods are recognised when the control of the product transferred to a customer. 117
Retail sales are usually made against a cash or credit card payment.

Sales of goods - Wholesale

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

Rent revenue

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

Transition to TFRS 15 "Revenue from contracts with customers"

The Group recognizes revenue from the principal activities of retail and wholesale sale with rental income. Since the determination of performance obligation and control transfer of the goods is clear and easy to understand in retail and wholesale sale, the accounting policies applied are consistent with TFRS 15 "Revenue from contracts with customers" and the transition of the standard does not have a significant effect on the Group financials.

The Group recognizes rent income over time by a linear method. Rental income accounting policy also complies with TFRS 15 "Revenue from contracts with customers" and the transition of the standard does not have a significant impact on Group financials.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of the weighted average cost method. For processed inventories, cost includes direct materials, direct labor and the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Revenues and discounts from suppliers, sales premiums and advertising participation fees are accounted on an accrual basis and booked against cost of inventories.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

(e) Property, plant and equipment

Property, plant and equipment except lands and buildings are carried at cost less accumulated depreciation and impairment if exists. With respect to TAS 16 "Property, plant and equipment", the Group has decided to choose revaluation model for lands and buildings by using 4 January 2019 and 25 January 2019 dated valuation reports of CMB accredited real estate company, Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. ("Nova Taşınmaz Değerleme") and 24 December 2018 dated valuation reports of CMB accredited real estate company, TSKB Gayrimenkul Değerleme A.Ş. ("TSKB Gayrimenkul Değerleme") as of 31 December 2017.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The land is not subject to depreciation.

¹¹⁸ The depreciation period for property, plant and equipment which approximate the economic useful lives of such assets, are as follows:

	Useful Lives (Years)
Buildings	25-50
Leasehold improvements	over period of lease ^(*)
Machinery and equipment	4-10
Furniture and fixtures	5-12
Motor vehicles	5-8

^(*) Leasehold improvements include the expenses made for the leased properties and are depreciated over the shorter of the lease term and their useful lives.

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

In property, plant and equipment, the increase in the revaluation reserve is credited after the deferred tax effect has been recognized in the revaluation fund account in the equity.

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

Derecognition of tangible assets

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

(f) Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

119

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Brands

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

Rent agreements

Rent agreements are designated as intangible assets by the Group and consist of taken over rent agreements of the stores that purchased. Lease contracts are recorded at their fair values at the date of purchase, and amortised during the contract period.

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

Computer softwares (Rights)

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

Internally-generated intangible assets and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

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

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Computer software development costs are capitalized and depreciated over their estimated useful lives.

Derecognition of intangible assets

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

(g) Assets held for sale

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

(h) Impairment of assets

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

(I) Financial assets

Classification and measurement

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

Financial assets carried at amortized cost

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

Impairment

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

Financial assets carried at fair value

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

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

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

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

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

(j) Cash and cash equivalents

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

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.2 (h) for further information about the group's accounting for trade receivables and ¹²² impairment policies.

(l) Trade payables

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

(m) Borrowings and borrowing costs

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

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

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

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

(n) Earnings per share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned. As disclosed in Note 27 earnings per share are calculated in accordance with IAS 33 "Earning Per Share".

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

(o) Subsequent events

Subsequent events are composed of any event between the balance sheet date and the publication date of the balance sheet, even if they arise after any announcements of profits or other financial data.

The Group restates its consolidated financial statements if such subsequent events arise.

123

(p) Provisions, contingent liabilities and contingent assets

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

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

Assets that result from previous events that cannot be controlled fully by the Group and depend on the realization of one or more uncertain events, is considered as a contingent asset. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

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

(q) Leases

The Group as lessee

Operational lease

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of premises, which are cancellable subject to a period of notice. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

The Group as lessor

Operational leases

The Group presents assets subject to operating leases in the balance sheets according to their nature. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Operating leases are amortized based on their cost after deducting their residual values.

(r) Related parties

¹²⁴

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venture;

(d) the party is member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

(g) the party has a defined benefit plan for the employees of the Company or a related party of the Company.

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

(s) Segment reporting

The operating segments are evaluated in parallel to the internal reporting and strategic sections presented to the organs or persons authorised to make decisions regarding the activities of the Group. The organs and persons authorised to make strategic decisions regarding the Group's activities with respect to the resources to be allocated to these sections and their evaluation are defined as the Group's senior managers of the Group. The Group's senior managers follow up the Group's activities on a geographical basis (Note 3).

(t) Investment properties

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at fair value with revaluation report of Nova Taşınmaz Değerleme as of 31 December 2018. Fair value change of investment properties are accounted under profit and loss statements in consolidated financial statements.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

(u) Income taxes

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

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

Current tax

The current income tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

125

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

(v) Employee termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

(y) Cash flow statement

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

Cash flows from operating activities represent the cash flows of the Group generated from retailing activities.

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

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

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months and which are subject to an insignificant risk of changes in value (Note 4).

(z) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(aa) Dividend

Dividend income from investments is recognised when the shareholder's right to receive payment has been established. As a part of distribution of dividends, dividend liabilities are reflected to consolidated financial statements as liabilities, on the period of declaration.

(ab) Paid in capital

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

(ac) Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies (Note 25).

(ad) Deferred finance income/charges

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

2.3 Comparative information and restatement of prior period financial statements

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

Transition to TFRS 9 "Financial instruments"

Group has applied TFRS 9 "Financial instruments", which has replaced TMS 39 on the transition date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Since the transition effect of the standard is insignificant, Group did not record the cumulative effect related 127 to the transition of TFRS 9 in retained earnings on the first application date. Therefore, prior year financial statements are not restated.

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets except for financial assets:

Financial assets	Original classification under TMS 39	New classification under TFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Financial assets	Available for sale financial assets	Fair value through other comprehensive income
Financial liabilities	Original classification under TMS 39	New classification under TFRS 9
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Borrowings	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

2.4 Critical accounting estimates and assumptions

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

(a) Goodwill impairment test

As explained in related accounting policy, the Group performs impairment tests on goodwill annually at 31 December. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. Those calculations are based on discounted net cash flow after tax projections which are based on the Group's eight-year business plans. Those projections are calculated in terms of TL and the growth rate expected to be realized after ten years is assumed to be nil. The discount rate in the value-in-use calculations is used as 7,7% per annum for a fixed-price plan study (2017: 9,3%). The discount rate in the value-in-use calculations is after tax discount rate, and includes the Group's specific risk factors as well (Note 13).

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

(b) Impairment on leasehold improvements

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

(c) Fair Value Measurement

¹²⁸ The Group has chosen revaluation method as of 31 December 2018 by discarding cost method mentioned in TAS 16 for lands and building and TAS 40 for investment properties. Revaluation studies of lands, building and investment properties have been performed by Nova Taşınmaz Değerleme and TSKB Gayrimenkul Değerleme, which are CMB accredited professional valuation Companies.

Lands and building and investment properties in assets of the Group which are located in Turkey have been revaluated in 4 January 2019 and 25 January 2019 valuation reports of CMB accredited real estate companies, Nova Taşınmaz Değerleme and TSKB Gayrimenkul as of 31 December 2018 by using "Sample comparison approach analysis", and "Income approach analysis".

Lands and building and investment properties in assets of the Group which are located in Kazakhstan and Macedonia have been revaluated in 24 December 2018 dated valuation report of CMB accredited real estate company, TSKB Gayrimenkul by using "Income approach analysis".

As a result of revaluation study made by the experts, positive difference for lands and building amounting to TL 24.481 is accounted as TL 19.080 after net-off tax and minority effect "Revaluation Funds" under equity.

As a result of the fair value studies made by independent experts, negative difference amounting to TL 7.185 regarding from investment property is accounted under "Income from investing activities" and negative difference amounting to TL 112.422 regarding from property, plant and equipment accounted under "Expense from investing activities" in the income statement.

2.5 New and Revised Turkish Accounting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2018:

- IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 15, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

- Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.
- Amendment to IAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
 - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
 - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.
- IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

- Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.
- IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

130

The group has set up a project team which has reviewed all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases. In addition, interest and depreciation expenses will be calculated and accounted.

Effect

The group expects to recognise right-of-use assets and lease liabilities of approximately between TL 3.500.000 and TL 3.900.000 on 1 January 2019 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). The annual EBITDA increase effect is expected to be between 600.000 TL and 700.000 TL for the year 2018.

Mandatory application date of Group

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

- Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, 'Business combinations' – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, 'Joint arrangements' – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement¹³¹; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, "Presentation of financial statements", and IAS 8, "Accounting policies, changes in accounting estimates and errors", and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

2.6 Going concern

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

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,

¹³² Amortisation and Rent, "EBITDAR". The Group calculates the EBITDA by deducting general administrative expenses and selling, marketing and distribution expenses and adding depreciation expenses, unused vacation liability paid in current period, employee termination benefit provision expense, unused vacation liability expense on gross profit amount in consolidated statements of income.

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

a) Segment analysis as of 31 December 2018:

	Turkey	Other countries	Combined total	Eliminations	Total
External revenues	18.183.512	533.846	18.717.358	-	18.717.358
Inter segment revenues	4.572	-	4.572	(4.572)	-
Sales revenue	18.188.084	533.846	18.721.930	(4.572)	18.717.358
Cost of sales	(13.076.103)	(397.290)	(13.473.393)	4.572	(13.468.821)
Gross profit	5.111.981	136.556	5.248.537	-	5.248.537
Marketing expenses	(3.747.832)	(87.249)	(3.835.081)	-	(3.835.081)
General administrative expenses	(526.316)	(38.353)	(564.669)	-	(564.669)
Addition: Depreciation and amortisation expenses	280.254	14.829	295.083	-	295.083
Addition: Provision for employment termination benefits	26.884	114	26.998	-	26.998
Addition: Employment termination benefits paid	34.538	-	34.538	-	34.538
Addition: Unused vacation pay liability	11.993	-	11.993	-	11.993
EBITDA	1.191.502	25.897	1.217.399	-	1.217.399
Addition: Rent expenses	937.555	31.288	968.843	-	968.843
EBITDAR	2.129.057	57.185	2.186.242	-	2.186.242

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

b) Segment analysis as of 31 December 2017:

	Turkey	Other countries	Combined total	Eliminations	Total
External revenues	14.945.612	398.435	15.344.047	-	15.344.047
Inter segment revenues	5.960	-	5.960	(5.960)	-
 Sales revenue	 14.951.572	 398.435	 15.350.007	 (5.960)	 15.344.047
Cost of sales	(11.133.319)	(303.099)	(11.436.418)	5.960	(11.262.081)
 Gross profit	 3.986.630	 95.336	 4.081.966	 -	 4.081.966
Marketing expenses	(2.951.774)	(67.012)	(3.018.786)	-	(3.018.786)
General administrative expenses	(496.141)	(39.089)	(535.230)	-	(535.230)
Addition: Depreciation and amortisation expenses	250.962	18.994	269.956	-	269.956
Addition: Provision for employment termination benefits	20.143	344	20.487	-	20.487
Addition: Employement termination benefits paid	38.615	-	38.615	-	38.615
Addition: Unused vacation pay liability	14.894	-	14.894	-	14.894
 EBITDA	 863.329	 8.573	 871.902	 -	 871.902
Addition: Rent expenses	737.883	24.491	762.374	-	762.374
 EBITDAR	 1.601.212	 33.064	 1.634.276	 -	 1.634.276

133

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

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

	2018	2017
EBITDAR reported segments	2,186,242	1,634,276
Rent expenses	(968,843)	(762,374)
EBITDA reported segments	1,217,399	871,902
Depreciation and amortisation	(295,083)	(269,956)
Provision for employee termination benefits	(26,998)	(20,487)
Termination benefits paid	(34,538)	(38,615)
Unused vacation provision	(11,993)	(14,894)
Other operating income	275,995	157,060
Other operating expense (-)	(683,692)	(382,187)
Operating profit	441,090	302,823
Income from investing activities	6,947	1,251,927
Expense from investing activities (-)	(143,779)	(159,169)
Operating profit before finance income/(expense)	304,258	1,395,581
Financial income	58,018	88,965
Financial expense (-)	(1,409,543)	(881,850)
Income/(loss) before tax	(1,047,267)	602,696

134

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

Segment assets and liabilities

The figures provided to the board of directors with respect to total assets and liabilities are measured in a manner consistent with the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

	2018	2017
Turkey	10,431,340	10,191,829
Other countries	577,356	466,120
Segment assets	11,008,696	10,657,949
Less: Eliminations	(123,835)	(355,274)
Total assets per consolidated financial statements	10,884,861	10,302,675

	2018	2017
Turkey	10,064,724	8,675,732
Other Countries	243,070	194,702
Segment liabilities	10,307,794	8,870,434
Less: Eliminations	(58,023)	(94,907)
Total liabilities per consolidated financial statements	10,249,771	8,775,527

Segment information of capital expenditures as of 31 December 2018 and 2017:

	2018	2017
Turkey	461,251	350,768
Other countries	26,500	48,454
	487,751	399,222

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	2018	2017
Cash	81.462	100.531
Banks		
- demand deposit ^(*)	109.943	156.087
- time deposit	635.894	686.734
Cheques in collection	582	207
Credit card receivables	922.635	673.821
<hr/>		
136	1.750.516	1.617.380

^(*) The Group transfers the cash in its stores registers to the bank on a daily basis. In accordance with the bank agreements, transferred cash amounts have temporary blockages for a certain period of time. As of 31 December 2018, a cash amount of TL 97.722 in bank accounts is temporarily blocked due to the mentioned cash transfer. (2017: TL 91.051)

Weighted average effective interest rates on TL and EURO denominated time deposits as of 31 December 2018 are 23% and 1,9% respectively (2017: 14,5% and 1,2%)

Other cash and cash equivalents consist of credit card receivables. Credit card receivables with a maturity of less than one month are discounted at 31 December 2018 with annual rate of 24,3% (2017: 13,4%)

The maturity analysis of time deposits at 31 December 2018 and 2017 is as follows:

	2018	2017
1 - 30 days	631.257	635.032
31 - 90 days	4.637	51.702
91 - 180 days ^(*)	1.708	1.104
Over 180 days ^(*)	16.742	9.492
<hr/>		
	654.344	697.330

^(*) Related amount indicating the bank deposits with over 90 days maturity recognised as cash fund by the Group (Note 5).

NOTE 5 - FINANCIAL INVESTMENTS

Financial assets

	2018	2017
Time deposit ^(*)	18.450	10.596
	18.450	10.596

^(*) Related amount indicating the bank deposits with 90-180 days maturity recognised as cash fund by the Group.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

Financial assets carried at fair value through other comprehensive income

	2018	2017
Long term financial assets carried at fair value through other comprehensive income	1.165	1.165
	1.165	1.165

	2018		2017	
	TL	Share (%)	TL	Share (%)
Sanal Merkez Ticaret A.Ş. ^(*)	1.165	100,00	1.165	100,00
^(*) Sanal Merkez Ticaret A.Ş.'s cost reflects its fair value.				137

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Trade receivables:

	2018	2017
Receivables from tenants and wholesale activities	109.474	90.716
Doubtful receivables	66.868	54.825
Notes receivables	6.139	1.300
Due from related parties (Note 26)	746	713
Less: Provision for doubtful receivables	(60.313)	(48.614)
Less: Unearned finance income on term sales	(1.800)	(2.030)
	121.114	96.910

The maturity of trade receivables are generally less than one month as of 31 December 2018 and they were discounted with the annual rate of 24,3% (2017: 13,4%).

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

Movement of provision for doubtful receivables is as follows:

	2018	2017
1 January	48.614	34.998
Current year charge	8.262	4.116
Collections and reversals	(1.829)	(1.115)
Currency translation effect	5.266	1.073
Additions from acquisition of subsidiaries	-	9.542
31 December	60.313	48.614

Trade payables:

	2018	2017
Supplier current accounts	4.666.648	3.789.526
Due to related parties (Note 26)	213.810	182.490
Expense accruals	78.850	33.234
Unincurred finance cost on term purchases	(92.558)	(51.109)
	4.866.750	3.954.141

The maturity of trade payables is generally less than three months and they are discounted with annual rate of 19.3% as of 31 December 2018 (2017: 11.9%)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Short term other receivables

	2018	2017
Receivables from personnel	15.218	8.957
Receivables from sales of fixed assets	9.596	29.596
Receivables from insurance companies	1.243	1.307
Other	1.527	2.652
	27.584	42.512

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

Long term other receivables

	2018	2017
Deposits and guarantees given	5.480	3.596
	5.480	3.596

Other short term payables

	2018	2017
Other taxes and funds payable	54.200	39.127
Value added tax payables ("VAT")	39.278	46.218
Credit card bills collection account ^(*)	17.700	17.747
Other	15.296	32.257
	126.474	135.349

^(*) Majority of the payables above consist of related banks' credit card bill collections made in the stores. The collections have the maturity of less than one month.

Long term other payables

	2018	2017
Deposits and guarantees received	11.903	8.778
	11.903	8.778

NOTE 8 - INVENTORIES

	31 December 2018	31 December 2017
Raw materials	13.640	12.517
Work in progress	47.466	10.314
Merchandise stocks	2.207.748	1.918.916
Other	3.401	2.952
Less: Provision for net realizable value	(23.203)	(36.453)
	2.249.052	1.908.246

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 9 - PREPAID EXPENSES AND DEFERRED REVENUES

Short term prepaid expenses

	2018	2017
Prepaid rent expenses	36.446	31.917
Prepaid insurance expenses	24.537	17.271
Advances given	10.914	1.405
Prepaid other expenses	-	80
<u>140</u>	<u>71.897</u>	<u>50.673</u>

Long term prepaid expenses

	2018	2017
Prepaid rent expenses	26.038	20.771
Advances given for property, plant and equipment	1.543	4.160
	<u>27.581</u>	<u>24.931</u>

Short term deferred revenues

	2018	2017
Deferred revenues	54.282	4.923
Customer cheques	53.186	42.747
	<u>107.468</u>	<u>47.670</u>

Long term deferred revenues

	2018	2017
Deferred revenues	4.570	2.500

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

NOTE 10 - INVESTMENT PROPERTY

	1 January 2018	Additions	Disposal	Impairment	Revaluation	Transfers ^(*)	Currency translation difference	31 December 2018
Cost								
Land and buildings	342.731	-	-	(7.185)	-	(303.221)	-	32.325
Net book value								
	342.731							141 32.325
	1 January 2017	Additions	Disposal	Impairment	Revaluation	Transfers	Currency translation difference	31 December 2017
Cost								
Land and buildings	208.120	35.894	-	-	134.967	(47.339)	11.089	342.731
Accumulated depreciation								
Buildings	(63.401)	(4.294)	-	-	-	69.975	(2.280)	-
Net book value								
	144.719							342.731

^(*) The classifications of investment properties have been re-evaluated by taking into account the operational squares and the revenue generated from the market management of Group's rentable shopping malls. As of December 31, 2018, the Group has reclassified these properties for usage purposes since square meters used in market operations and the revenue generated from this operation is higher than rental income.

Investment properties of the Group consist of leased space to other retailers in Kipa Muğla Marmaris Shopping Mall in Turkey.

There is no mortgage or pledge on the investment properties of the Group as of 31 December 2018 and 2017.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2018	Additions	Disposals	Impairment	Revaluation	Transfers ^(*)	Currency translaiton differences	31 December 2018
Cost								
Lands	1.454.789	-	-	(47.726)	37.929	(10.421)	23.705	1.458.276
Buildings	1.016.356	23.589	(63.195)	(200.639)	73.533	113.264	54.531	1.017.439
Leasehold improvements	772.842	56.327	(304)	(9.530)	-	20.310	4.894	844.539
Machinery and equipments	1.019.860	85.762	(26.066)	-	-	79.798	9.246	1.168.600
Motor vehicles	9.848	1.959	(6.089)	-	-	-	679	6.397
Furniture and fixtures	710.387	52.270	(17.148)	-	-	27.679	13.574	786.762
Construction in progress	33.511	146.248	-	-	-	(144.176)	1.798	37.381
	5.017.593	366.155	(112.802)	(257.895)	111.462	86.454	108.427	5.319.394
Accumulated depreciation								
Buildings	-	(25.874)	1.285	-	-	24.589	-	-
Leasehold improvements	(341.343)	(67.516)	271	6.245	-	-	(2.390)	(404.733)
Machinery and equipments	(516.094)	(91.943)	22.596	-	-	(205)	(7.060)	(592.706)
Motor vehicles	(6.237)	(829)	5.919	-	-	-	(292)	(1.439)
Furniture and fixture	(413.631)	(49.565)	14.137	-	-	(506)	(7.909)	(457.474)
	(1.277.305)	(235.727)	44.208	6.245	-	23.878	(17.651)	(1.456.352)
Net book value	3.740.288							3.863.042

^(*) Land and buildings amounting to TL 175.789 are classified as assets held for sale, amounting to TL 17.100 is transferred to intangible assets which are stated at transfers line.

As of 31 December 2018, the cost of the land and buildings of the Group is TL 1.782.731.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

	1 January 2017	Additions for Acquisition of Subsidiary	Additions	Disposals	Impairment	Revaluation	Currency translaiton Transfers ^(*)	31 December 2017
Cost								
Lands	153.996	1.003.040	-	(38.503)	(107.734)	486.740	(42.750)	- 1.454.789
Buildings	235.851	725.760	6.077	(22.571)	(41.081)	386.570	(283.333)	9.083 1.016.356 <u>143</u>
Leasehold improvements	573.618	164.133	51.654	(4.476)	(38.960)	-	24.844	2.029 772.842
Machinery and equipments	715.722	184.221	85.922	(34.630)	(1.205)	-	66.311	3.519 1.019.860
Motor vehicles	2.600	7.896	1.212	(2.198)	-	-	-	338 9.848
Furniture and fixtures	360.645	301.754	38.616	(19.516)	(518)	-	23.433	5.973 710.387
Construction in progress	27.418	2.101	148.071	(4)	-	-	(144.631)	556 33.511
	2.069.850	2.388.905	331.552	(121.898)	(189.498)	873.310	(356.126)	21.498 5.017.593
Accumulated depreciation								
Buildings	(97.971)	(143.570)	(23.534)	87	2.566	-	265.234	(2.812) -
Leasehold improvements	(254.984)	(58.042)	(62.417)	2.739	32.166	-	-	(805) (341.343)
Machinery and equipments	(292.767)	(161.349)	(85.965)	25.715	1.137	-	(112)	(2.753) (516.094)
Motor vehicles	(954)	(6.053)	(614)	1.508	-	-	-	(124) (6.237)
Furniture and fixture	(154.841)	(220.410)	(50.137)	15.004	515	-	(93)	(3.669) (413.631)
	(801.517)	(589.424)	(222.667)	45.053	36.384	-	265.029	(10.163) (1.277.305)
Net book value	1.268.333							3.740.288

^(*) Land and buildings amounting to TL 44.068 are classified as assets held for sale, amounting to TL 24.393 is transferred to intangible assets and amounting to TL 22.636 is transferred to investment properties which are stated at transfers line

As of 31 December 2017, the cost of the land and buildings of the Group is TL 1.849.667.

As at 31 December 2018 and 2017, there are no mortgages on property, plant and equipment. Depreciation charges on property, plant and equipment are included in general administrative expenses.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 12 - INTANGIBLE ASSETS

Movement of intangible assets period ended at 31 December 2018 is as follows;

	1 January 2018	Additions	Impairment	Transfers	Currency translation differences	31 December 2018
Cost						
Trademark	17.229	-	(14.442)	-	-	2.787
Rent agreements	39.131	-	-	-	-	39.131
Rights	303.116	51.208	-	17.104	2.167	373.595
Other intangible assets	93.239	70.388	-	-	-	163.627
	452.715	121.596	(14.442)	17.104	2.167	579.140
Accumulated amortisation						
Rent agreements	(31.743)	(2.612)	-			(34.355)
Rights	(187.242)	(45.421)	-	(4)	(1.502)	(234.169)
Other intangible assets	(73.043)	(11.323)	-			(84.366)
	(292.028)	(59.356)	-	(4)	(1.502)	(352.890)
Net book value	160.687					226.250

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

Movement of intangible assets period ended at 31 December 2017 is as follows;

	1 January 2017	Business combinations	Additions	Disposals	Transfers	Currency translation differences	31 December 2017
Cost							
Trademark	2.787	14.442	-	-	-	-	17.229
Rent agreements	32.982	6.149	-	-	-	-	39.131
Rights	155.890	92.698	30.186	(894)	24.481	755	303.116
Other intangible assets	91.649	-	1.590	-	-	-	93.239
	283.308	113.289	31.776	(894)	24.481	755	452.715
Accumulated amortisation							
Rent agreements	(31.106)	-	(637)	-	-	-	(31.743)
Rights	(83.007)	(72.741)	(31.472)	580	(88)	(514)	(187.242)
Other intangible assets	(62.157)	-	(10.886)	-	-	-	(73.043)
	(176.270)	(72.741)	(42.995)	580	(88)	(514)	(292.028)
Net book value	107.038						160.687

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 13 - GOODWILL

	2018	2017
Opening balance	2.252.992	2.252.992
Additions	-	-
Closing balance	2.252.992	2.252.992

146

Impairment tests for goodwill:

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

The recoverable amount of cash-generating unit was determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, which are based on TL budgets approved by management covering a five year period. The growth rate expected to be realized after five years is assumed to be nil and in the preparation of these analysis it has been assumed by the management that existing profitability of the Company will be maintained.

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

The Group management determined the budgeted gross profit margin by taking into consideration the previous performance of the company and the market growth expectations. The discount rate 7,7% used is the after tax discount rate and includes the company-specific risks. The fact that the after-tax discount rate used in the calculation of discounted cash flows is higher/lower by 100 basis points (such as 6,7% or 8,7% instead of 7,7%) causes a decrease/increase of TL 689.272 (2017: TL 694.200) in the fair value calculations for which sales costs are deducted, as of 31 December 2018. Within the context of analysis performed by the Management, above mentioned changes in the key assumptions on which recoverable amount is based would not cause carrying amount to exceed its recoverable amount.

NOTE 14 - ASSETS HELD FOR SALE

Bahçeşehir MMM Migros store and Adapazarı Kipa Shopping Center, which is the property of the Group with a value of TL 175.789, have been classified as assets held for sale since they are intended to be sold in the short term

	2018	2017
Assets held for sale	175.789	44.068
	175.789	44.068

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

NOTE 15 - FINANCIAL LIABILITIES

	31 December 2018		
	Effective interest rate (%)	In original currency	Total TL equivalent
Short term borrowings			
With fixed interest rate - TL	26,88	394.228	394.228
With fixed interest rate - EUR	4,85	21.269	128.207
			<u>147</u>
Total short term borrowings			522.435
Current portion of long term borrowings			
With floating interest rate - EUR	5,26	98.867	595.971
With fixed interest rate - TL	13,97	53.906	53.906
With floating interest rate - TL	34,22	53.577	53.577
With fixed interest rate - Tenge	11,31	233.765	3.201
Total current portion of long term borrowings			706.655
Total short term borrowings			1.229.090
Non-current borrowings			
With floating interest rate - EUR	5,26	490.500	2.956.734
With fixed interest rate - TL	13,97	179.137	179.137
With floating interest rate - TL	34,22	155.804	155.804
With fixed interest rate - Tenge	11,31	3.602.698	49.332
Total non-current borrowings			3.341.007
Total financial liabilities			4.570.097

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

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

	Tenge loan TL equivalent	Euro loan TL equivalent	TL Loan	Total (TL equivalent)
1 January 2019- 31 December 2019	3.201	724.178	501.711	1.229.090
1 January 2020- 31 December 2020	13.631	778.331	169.685	961.647
1 January 2021- 31 December 2021	16.290	819.909	95.050	931.249
1 January 2022- 31 December 2022	15.894	871.626	46.973	934.493
1 January 2023 - 12 September 2023	3.517	486.868	23.233	513.618
148				
	52.533	3.680.912	836.652	4.570.097

The fair value of borrowings at 31 December 2018 is TL 4.442.623.

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

	Tenge loan TL equivalent	Euro loan TL equivalent	TL Loan	Total (TL equivalent)
1 January 2019- 31 December 2019	2.776	569.455	412.854	985.085
1 January 2020- 31 December 2020	13.631	698.872	166.532	879.035
1 January 2021- 31 December 2021	16.290	828.333	128.967	973.590
1 January 2022- 31 December 2022	15.894	983.625	64.084	1.063.603
1 January 2023 - 12 September 2023	3.517	595.333	38.786	637.636
	52.108	3.675.618	811.223	4.538.949

The redemption schedule of contractual cash outflows, which consists of principal and interest, of borrowings at 31 December 2018 is as follows:

	Tenge loan TL equivalent	Euro loan TL equivalent	TL Loan	Total (TL equivalent)
1 January 2019- 31 December 2019	8.755	740.127	491.639	1.240.521
1 January 2020- 31 December 2020	18.783	840.749	250.583	1.110.115
1 January 2021- 31 December 2021	19.676	934.841	195.868	1.150.385
1 January 2022- 31 December 2022	17.385	1.048.711	75.243	1.141.339
1 January 2023 - 12 September 2023	3.713	609.393	41.197	654.303
	68.312	4.173.821	1.054.530	5.296.663

The Group has the obligation to comply with the various credit commitments in the loan agreement in the interest of the said bank credits. The financial ratios calculated on the financial statements as of 31 December 2018 are in line with the provisions of the bank loan agreement.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

The movement schedule of borrowings as of 31 December 2018 and 2017 is as follows;

	2018	2017
Begining	3.912.474	2.963.536
Proceeds of borrowings	320.375	210.776
Payments	(625.449)	(164.819)
FX Losses	938.121	556.974
Interest accrual	24.576	16.376
Acquisition of subsidiary	-	329.631
Ending	4.570.097	3.912.474

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

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

	Tenge loan TL equivalent	Euro loan TL equivalent	TL Loan	Total (TL equivalent)
1 January 2018- 31 December 2018	816	414.156	623.065	1.038.037
1 January 2019- 31 December 2019	1.271	514.665	54.649	570.585
1 January 2020- 31 December 2020	12.164	554.019	50.284	616.467
1 January 2021- 31 December 2021	13.719	583.655	45.394	642.768
150 1 January 2022- 31 December 2022	13.580	620.512	41.279	675.371
1 January 2023 - 24 October 2023	2.206	346.618	20.422	369.246
	43.756	3.033.625	835.093	3.912.474

The fair value of borrowings at 31 December 2017 is TL 3.994.286.

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

	Tenge loan TL equivalent	Euro loan TL equivalent	TL Loan	Total (TL equivalent)
1 January 2018- 31 December 2018	-	279.227	590.082	869.309
1 January 2019- 31 December 2019	1.271	426.572	37.100	464.943
1 January 2020- 31 December 2020	12.164	523.517	45.532	581.213
1 January 2021- 31 December 2021	13.719	620.494	53.967	688.180
1 January 2022- 31 December 2022	13.580	736.821	64.084	814.485
1 January 2023 - 24 October 2023	2.206	445.956	38.787	486.949
	42.940	3.032.587	829.552	3.905.079

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

NOTE 16 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions	2018	2017
Provision for litigation	82.496	61.594
Customer loyalty programs	1.492	538
Other	628	1.012
	84.616	63.144

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

151

Lawsuit provisions	2018	2017
1 January	61.594	27.105
Increase during period	32.135	1.310
Payments (-)	(11.233)	(12.547)
Bussiness combination effect	-	45.726
	82.496	61.594

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

Collaterals, Pledges, Mortgages

2018

	Total TL amount	TL	USD	Euro
A. CPM given on behalf of the Company's legal personality	178.347	168.898	1.796	-
B. CPM given on behalf of fully consolidated subsidiaries	49.332	-	9.377	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM				
i. Total amount of CPM given behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given behalf of third parties which are not in scope of C	-	-	-	-
Total collaterals, pledges and mortgages	227.679	168.898	11.173	-
Proportion of the other CPM's to equity (%)	0,0			

2017:

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

Contingent assets and liabilities

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

	2018	2017
Letter of guarantees given	227.679	368.735
	227.679	368.735

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

153

	2018	2017
Guarantees obtained from customers	142.094	146.693
Mortgages obtained from customers	11.936	17.866
	154.030	164.559

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

	2018	2017
Payable within 1 year	101.947	77.746
Payable in 1 to 5 years	61.179	29.337
More than 5 years	18.581	-
	181.707	107.083

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 17 - EMPLOYEE BENEFITS

	2018	2017
Due to personnel	97.841	73.742
Social security deductions	34.108	62.470
	131.949	136.212

154

	2018	2017
Provision for unused vacation	145.477	117.753
Provision for employment termination benefits	122.848	110.855
	268.325	228.608

Movement of provision for unused vacation is as follows:

	2018	2017
1 January	110.855	93.105
Increase during period	23.628	22.408
Payments during period	(11.635)	(7.514)
Effect of business combinations	-	2.856
	122.848	110.855

Provision for employment termination benefits

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

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

	2018	2017
Discount rate (%)	4,13	4,21
Turnover rate to estimate the probability of retirement (%)	88,33 - 100,00	87,24 - 100,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 6.017,60 effective from 1 January 2019 (1 January 2018: TL 5.001,76) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

155

In the calculation, the employees were separated into two groups based on the working years in the Group: 0-14 years and 15 years and above. The probability of retirement is used as 88,33% and 100% for the employees working 0-14 years and 15 years and above, respectively.

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

	2018	2017
1 January	117.753	79.057
Increase during period	61.536	59.102
Payment	(34.538)	(38.615)
Business combinations effect	-	18.829
Actuarial (gain)/loss	726	(620)
 31 December	145.477	117.753

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 18 - REVENUE

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

	2018	2017
Domestic sales	18.607.288	15.253.852
Foreign sales	533.441	396.374
Other sales	18.763	18.132
Gross sales	19.159.492	15.668.358
Discounts and returns (-)	(442.134)	(324.311)
Sales revenue, net	18.717.358	15.344.047
Cost of sales	(13.468.821)	(11.262.081)
Gross profit	5.248.537	4.081.966

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

	2018	2017
Retail sales revenue	18.383.186	15.112.677
Wholesale revenue	544.290	379.725
Rent income	213.253	157.824
	19.140.729	15.650.226

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

NOTE 19 - EXPENSE BY NATURE

Total	2018	2017
Staff costs	1.879.275	1.546.040
Rent	968.843	762.374
Depreciation and amortisation	295.083	269.956
Energy	280.557	191.232
Transportation	174.957	147.065
Porterage and cleaning	127.730	97.884
Warehouse	115.420	84.642
Advertising	110.002	98.425
Repair and maintenance	74.985	61.497
Mechanisation	54.589	52.123
Security	51.991	41.154
Taxes and other fees	28.763	21.452
Communication	16.334	14.827
Other	221.221	165.345
	4.399.750	3.554.016
 Marketing expenses	 2018	 2017
Staff costs	1.671.913	1.345.172
Rent	968.074	761.423
Energy	278.068	189.295
Transportation	174.957	147.065
Porterage and cleaning	124.111	94.876
Warehouse	115.420	84.642
Advertising	109.939	98.241
Repair and maintenance	73.313	59.856
Mechanisation	47.609	34.988
Security	49.913	39.225
Taxes and other fees	26.742	19.706
Communication	14.367	12.549
Other	180.655	131.748
	3.835.081	3.018.786

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

	2018	2017
General administrative expenses	564.669	535.230
Depreciation and amortisation	295.083	269.956
Staff costs	207.362	200.868
Other	62.224	64.406
	564.669	535.230

Expenses by nature in cost of sales for the year ended at 31 December 2018 and 2017 are as follows:

158

	2018	2017
Cost of goods sold	13.388.763	11.218.785
Cost of service rendered	80.058	43.296
	13.468.821	11.262.081

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

NOTE 20 - OTHER OPERATING INCOME AND EXPENSES

	2018	2017
Other operating income	275.995	157.060
Interest income on term sales	151.180	62.617
Interest income from operating activities	69.060	44.700
Other	55.755	49.743
	275.995	157.060

	2018	2017
Other operating expenses	683.692	382.187
Interest expense on term purchases	615.641	303.056
Litigation provision	32.135	1.310
Bad debt provision expense	8.262	4.116
Other	27.654	73.705
	683.692	382.187

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

NOTE 21 - REVENUES AND EXPENSES FROM INVESTMENT ACTIVITIES

	2018	2017
Income from investing activities		
Gain on sale of property, plant and equipment	6.947	66.514
Negative goodwill	-	1.050.446
Investment property valuation	-	134.967
	6.947	1.251.927
		159
Expense from investing activities		
Losses from impairment provision property, plant and equipment	119.607	145.893
Losses on impairment on brands	14.442	-
Loss on sale of property, plant and equipment	6.445	6.055
Losses from leasehold improvements of closed stores	3.285	7.221
	143.779	159.169

NOTE 22 - FINANCIAL INCOME

	2018	2017
Foreign exchange gains	51.252	81.490
Interest income on bank deposits	6.766	7.465
Financial income on derivatives	-	10
	58.018	88.965

NOTE 23 - FINANCIAL EXPENSES

	2018	2017
Foreign exchange losses	951.543	568.635
Interest expense on bank borrowings	340.495	270.253
Financial expense on derivatives	72.187	842
Other	45.318	42.120
	1.409.543	881.850

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 24 - TAX ASSETS AND LIABILITIES

	2018	2017
Corporate and income taxes payable	97.979	84.235
Less: Prepaid current income taxes	(52.846)	(58.385)
Deducted from carry forward tax losses	(94.610)	-
 Taxes on income	 (49.477)	 25.850
 160	 2018	 2017
Deferred tax assets	236.822	73.819
Deferred tax liabilities	(235.057)	(329.782)
 Deferred tax liabilities, net	 1.765	 (255.963)

General Information

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

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

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

	2018	2017
(Loss)/gain before tax	(1.047.267)	602.696
Calculated tax income according to parent company tax rate (22%)	230.399	(120.539)
Differences in tax rate of subsidiaries	(1.683)	4.243
Expected tax expense of the Group	228.716	(116.296)
Effect of non-deductable expenses	(272.071)	(200.819) 161
Effect of exemptions for R&D	5.887	5.018
Effect of non-taxable incomes	-	42
Effect of previously unrecognized deferred tax assets of carry forward tax losees	167.973	-
Bussiness combination effect	-	210.089
Tax bases with no carrying amounts in current period	87.313	-
Temporary differences which deferred tax not calculated	-	20.003
Effective tax rate difference	(3.421)	(15.468)
Other	(2.567)	3.771
The Group's tax income/(expense)	211.830	(93.660)

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

	2018	2017
Current period income tax expense	(32.368)	(83.177)
Deferred tax income	244.198	(10.483)
Current period tax expense	211.830	(93.660)

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2018	2017	2018	2017
Deferred tax assets:				
Short term provisions	205.344	166.847	43.475	29.139
Inventories	148.589	63.125	32.690	13.879
Provision for employee termination benefits	145.477	117.753	29.050	20.731
Unincurred interest income	1.800	2.030	396	444
¹⁶² Tax carry forward loss	174.376	-	38.363	-
Fair value change of derivative financial instruments	71.895	-	15.817	-
Other	15.516	4.267	3.297	928
			163.088	65.121
Deferred tax liabilities:				
Fair value change of derivative financial instruments	-	10	-	(2)
Property, plant and equipment, intangible assets and investment properties	1.269.150	2.246.786	(140.243)	(308.477)
Unincurred interest expense	92.559	43.975	(20.363)	(9.675)
Other	3.581	14.819	(717)	(2.930)
			(161.323)	(321.084)
Total deferred tax liability, net			1.765	(255.963)

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

	2018	2017
1 January	(255.963)	(53.064)
Deferred tax expense/(income) from continuing operations	244.198	(10.483)
Additions from business combinations	-	(72.859)
Accounted for under equity	5.546	(119.409)
Currency translation difference	7.984	(148)
31 December	1.765	(255.963)

Carry forward tax losses:

Deferred income tax assets are recognized for tax losses carried forward to extent that the realization of the related tax benefit through the future taxable profits is probable.

As of 30 June 2018, Kipa had carry forward tax loss amounting to TL 803.888. Since the corporate tax base had increased for the years 2016 and 2017, half of the previous year's carry forward tax losses can not be utilized. As a result, total carry forward tax loss, including the financial loss that occurred in the first eight months of 2018, amounting to TL 604.421 has been incurred. This amount will be deducted from the corporate tax base that will be formed in the future by the Company.

After the legal merge with Kipa on 31 August 2018, Migros has utilized to TL 430.045 portion of those carry forward tax losses as of 31 Decemmmber 2018 tax period, and accounted deferred tax assets amounting to TL 38.363 over remaining amount of TL 174.376 carry forward tax losses.

As of 31 December 2018, the maturity of carry forward tax losses of Kipa, which deferred tax asset is not recognized are as follows;

	2018
Ended at 2022	80.650
Ended at 2023	93.726
	174.376

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

NOTE 25 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company's authorised and issued capital consists of 18.105.423.300 shares at 1 shares of Kr1 nominal value as of 31 December 2018. All shares are paid-in and no privileges are given to different share groups and shareholders.

	2018		2017	
	TL	Share (%)	TL	Share (%)
MH Perakendecilik ve Ticaret A.Ş.	89.046	49,18	89.015	50,00
Moonlight Capital S.A.	14.371	7,94	14.371	8,07
Kenan Investments S.A. ¹⁶⁴	26.937	14,88	26.937	15,13
Migros Ticaret A.Ş.	2.962	1,64	-	-
Other	47.738	26,37	47.707	26,80
Total	181.054	100,00	178.030	100,00
Treasury shares (-)	(125.435)		-	

In the utilisation process of separation funds for Kipa shareholders due to the merger, Migros shares with a total nominal value of TL 2.962, corresponding to Kipa shares with a total nominal value of TL 48.998 which were converted to Migros shares due to the merger were purchased by Migros with a total amount of TL 125.435 within the scope of separation funds.

Reserves

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

	2018	2017
Due from related parties		
Anadolu Isuzu Otomotiv Sanayi ve Tic. A.Ş. ⁽¹⁾	368	332
Çelik Motor Ticaret A.Ş. ⁽¹⁾	153	196
Anadolu Motor Üretim ve Pazarlama A.Ş. ⁽¹⁾	58	82
Other	167	103
	<u>165</u>	<u>165</u>
	746	713

	2018	2017
Due to related parties		
Anadolu Efes Pazarlama ve Dağıtım Ticaret A.Ş. ⁽¹⁾	111.676	92.000
Coca Cola Satış ve Dağıtım A.Ş. ⁽¹⁾	65.891	60.497
AEH Sigorta Acenteliği A.Ş. ⁽¹⁾	15.868	10.551
Adel Kalemçilik Ticaret ve San. A.Ş. ⁽¹⁾	14.129	13.216
AEH Anadolu Etap Penkon Gıda ve Tarım ÜrünleriSan. ve Tic. A.Ş. ⁽¹⁾	6.174	6.111
Other	72	115
	<u>213.810</u>	<u>182.490</u>

b) Transactions with related parties

	2018	2017
Inventory purchases		
Anadolu Efes Paz. ve Dağıtım Ticaret A.Ş. ⁽¹⁾	363.279	295.738
Coca Cola Satış ve Dağıtım A.Ş. ⁽¹⁾	228.259	200.713
AEH Anadolu Etap Penkon Gıda ve Tarım ÜrünleriSan. ve Tic. A.Ş. ⁽¹⁾	45.556	42.678
Adel Kalemçilik Ticaret ve San. A.Ş. ⁽¹⁾	12.938	11.412
	<u>650.032</u>	<u>550.541</u>

⁽¹⁾ AG Anadolu Grubu Holding A.Ş. Group companies

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

	2018	2017
Other transactions		
Rent revenue	1.566	1.148
Rent expenses	(12.410)	(6.100)
Other income	624	321
Other expenses	(49)	-
Other transactions, net	(10.269)	(4.631)

166 c) Key management compensation

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

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

	2018	2017
Short term benefits	38.595	31.971
	38.595	31.971

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

NOTE 27 - EARNINGS PER SHARE

Basic earnings/(losses) per share is calculated by dividing net income/(loss) for the period by the weighted average number of ordinary shares outstanding during the related period. The Company has no diluted instruments.

	2018	2017
Net profit/(loss) attributable to shareholders	(835.558)	512.706
Weighted average number of shares with Kr1 face value each('000)	18.105.423	18.105.423
Earnings per share^(*)	(4,61)	2,83
Number of treasury shares	(296.212)	-
Earnings per share excluding treasury shares	(4,69)	2,83

^(*) As a result of the merger of the Company with Kipa, the Company's capital increased by TL 3.024. According to TAS 33 "Earnings Per Share" standard, earnings/(loss) per shares are adjusted retrospectively.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

NOTE 28 - FINANCIAL RISK MANAGEMENT

Financial risk management

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

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

Interest rate risk

167

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

The weighted average effective interest rate of the Group's financial liabilities that are sensitive to interest is 4,75%. (2017: 5,25%). As of 31 December 2018, if interest rates on TL, USD and Euro denominated borrowings had been 100 base point higher/lower with all other variables held constant, pre-tax profit for the year would have been TL 3.613 (2017: TL 2.998) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Interest rate positions of the Group at 31 December 2018 and 2017 are as follows:

	2018	2017
Financial instruments with fixed interest rate		
Time deposits	635.894	697.330
Financial liabilities	808.011	878.849

Financial instruments with floating interest rate

Financial liabilities	3.762.086	3.033.625
-----------------------	-----------	-----------

Liquidity and funding risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The funding risk of the current and future debt requirements is managed through the continuous availability of qualified lenders. As of 31 December 2018, the Group's financial debt with a maturity longer than 1 year is TL 3.341.007 (2017: TL 2.874.437).

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

The maturity analysis of the Group's financial liabilities as of 31 December 2018 is as follows:

Financial liabilities:

	Carrying value	Contractual cash outflows	Up to 3 months	3 months - 12 months	1 years - 5 years	Over 5 years
Financial payables	4.570.097	5.296.663	302.492	938.029	4.056.142	-
Trade payables	4.866.750	4.959.403	4.085.116	874.287	-	-
Other payables	258.423	258.423	255.929	2.494	-	-
168						
	9.695.270	10.514.489	4.643.537	1.814.810	4.056.142	-
	Carrying value	Contractual cash outflows	Up to 3 months	3 months - 12 months	1 years - 5 years	Over 5 years
Financial payables	3.912.474	4.587.619	84.039	1.049.811	2.956.083	497.686
Trade payables	3.954.141	4.005.250	3.477.944	527.306	-	-
Other payables	271.561	274.352	271.561	310	2.481	-
	8.138.176	8.867.221	3.833.544	1.577.427	2.958.564	497.686

Credit risk

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

The risk details of credits and receivables as of 31 December 2018 and 2017 are as follows. Amounts showing the maximum credit risk exposed as of the balance sheet date are disclosed by disregarding guarantees on hand and other factors that increase the credit quality.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

	31 December 2018			
	Trade receivables Related party	Other	Other receivables Other	Deposits in bank
Maximum risk exposed credit risk as of reporting date (A+B+C)	746	120.368	23.468	764.287
Secured portion of maximum credit risk by guarantees	262	33.783	-	-
A. Net book value of financial assets either are not due or not impaired	746	107.517	23.468	764.287
secured portion by guarantees	262	26.308	-	-
B. Net book value of the expired or not impaired financial assets	-	6.296	-	-
secured portion with guarantees	-	920	-	-
C. Impaired assets net book value	-	6.555	-	-
over due (gross book value)	-	66.868	-	-
impairment (-)	-	(60.313)	-	-
secured portion of the net value by guarantees etc.	-	6.555	-	-
D. Expected credit loss (-)	-	-	-	-
31 December 2017				
	Trade receivables Related party	Other	Other receivables Other	Deposits in bank
Maximum risk exposed credit risk as of reporting date (A+B+C)	713	96.197	46.108	853.417
Secured portion of maximum credit risk by guarantees	35	8.046	-	-
A. Net book value of financial assets either are not due or not impaired	713	87.118	46.108	853.417
secured portion by guarantees	35	5.860	-	-
B. Net book value of the expired or not impaired financial assets	-	7.131	-	-
secured portion with guarantees	-	238	-	-
C. Impaired assets net book value	-	1.948	-	-
over due (gross book value)	-	50.562	-	-
impairment (-)	-	(48.614)	-	-
secured portion of the net value by guarantees etc.	-	1.948	-	-

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

Aging of the receivables which are overdue but not impaired

	2018	2017
0-1 months	2.725	6.475
1-3 months	1.659	345
3-12 months	1.434	279
1-5 year	478	32
170	 6.296	 7.131

Risky Position of Capital:

Net debt ratio as of 31 December 2018 and 2017 is as follows;

	2018	2017
Deferred tax liabilities	1.765	(255.963)
Total liabilities	10.249.771	8.775.527
Less: Cash and cash equivalents	(1.750.516)	(1.617.380)
Net debt	8.501.020	6.902.184
Equity attributable to holders of parent	632.904	1.470.494
Equity + net debt	9.133.924	8.372.678
	 93,07%	 82,44%

Foreign currency risk

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 December 2018, if Euro had appreciated against TL by 20% and all other variables had remained constant, the income 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 lower in the amount of TL 435.922 (31 December 2017: 532.966 higher).

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

NOTE 29 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION

	FOREIGN CURRENCY POSITION				31 December 2017			
	31 December 2018				31 December 2017			
	Total TL equivalent	USD	Euro	Other TL equivalent	Total TL equivalent	USD	Euro	Other TL equivalent
Trade receivables	-	-	-	-	273	72	-	-
Monetary financial assets	306.364	752	49.993	1.048	383.343	2.673	82.518	652
Other	1.720	327	-	-	1.813	481	-	-
Current assets	308.084	1.079	49.993	1.048	385.429	3.226	82.518	652
Total assets	308.084	1.079	49.993	1.048	385.429	3.226	82.518	652
Trade payables	-	-	-	-	1.307	100	127	355
Financial liabilities	724.178	-	120.136	-	414.156	-	91.719	-
Current liabilities	724.178	-	120.136	-	415.463	100	91.846	355
Financial liabilities	2.956.734	-	490.500	-	2.619.469	-	580.106	-
Non-monetary other liabilities	6.084	81	938	-	3.536	80	716	-
Non-current liabilities	2.962.818	81	491.438	-	2.623.005	80	580.822	-
Total liabilities	3.686.996	81	611.574	-	3.038.468	180	672.668	355

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

FOREIGN CURRENCY POSITION

	31 December 2018			31 December 2017				
	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	(3.378.911)	998	(561.581)	1.048	(2.653.039)	3.046	(590.150)	297
Net foreign currency asset/(liability) position of monetary items	(3.374.548)	752	(560.643)	1.048	(2.651.317)	2.646	(589.435)	297
Fair value hedge funds of foreign currency	(67.505)	-	-	-	-	-	-	-
Hedge amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedge amount of foreign currency liabilities	(241.120)	-	(40.000)	-	-	-	-	-
Export	-	-	-	-	-	-	-	-
Import	168.013	31.936	-	-	65.065	17.250	-	-

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish
MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

31 December 2018

	Gain/Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
20% change in Euro exchange rate		
Euro net asset/liability	(677.042)	677.042
Portion secured from Euro risk	241.120	(241.120)
Euro net effect	(435.922)	435.922

31 December 2017

	Gain/Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
20% change in Euro exchange rate		
Euro net asset/liability	(532.966)	532.966
Portion secured from Euro risk	-	-
Euro net effect	(532.966)	532.966

NOTE 30 - FINANCIAL INSTRUMENTS

Fair value estimation

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

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

MİGROS TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

The fair value hierarchy for the assets and liabilities measured at fair value as of 31 December 2018 and 2017 is as follows:

	Fair Value Level as of reporting period			
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Lands	1.458.276	-	-	1.458.276
Buildings	1.017.439	-	-	1.017.439
Investment properties	32.525	-	-	32.525
Derivatives	(71.895)	-	(71.895)	-

174

	Fair Value Level as of reporting period			
	31 December 2017	Level 1 TL	Level 2 TL	Level 3 TL
Lands	1.454.789	-	-	1.454.789
Buildings	1.016.356	-	-	1.016.356
Investment properties	342.731	-	-	342.731

The discount, capitalization and store occupancy rates used in the studies were determined by the valuation companies.

The discount rates are consistent with the inflation expectation survey of the CBRT and used between 13.5% and 19.70% for the properties in Turkey. Discount rates used between 10% to 13,75% for the properties at abroad.

The capitalization rates vary between 4.5% and 11% in terms of the location of the real estate.

NOTE 31 - SUBSEQUENT EVENTS

EBRD (The European Bank for Reconstruction and Development) provides a credit line, an equivalent of 60m EUR in TL for capital expenditure requirements of Migros. The credit facility has 5 years maturity and was used on 18 January 2019.

The sale of the company's properties, Bahçeşehir MMM Migros store and Adapazarı Kipa shopping mall were completed with a total amount of TL 177.706 as of 29 January 2019.

As indicated in the material event statement dated 26 February 2019; in line with the Capital Market Board's approval regarding the application of bond issuance with TL 1.000.000 ceiling dated 07 June 2018 and numbered 25/699; the sale of bond with ISIN code TRSMGTI2215 and 2 years maturity (728 days) worth of TL 200.000 nominal value has been completed on 25 February 2019. The sale was only for qualified investors. The starting date of the maturity period is 27 February 2019.

MİGROS TİCARET A.Ş.

HEAD OFFICE

Head Office: Atatürk Mah. Turgut Özal Bulvarı No: 7

34758 Ataşehir / İstanbul

Tel: +90 216 579 30 00



Bu raporun basımında, geri dönüşümlü kağıt ve çevre dostu teknolojiler kullanılmıştır.

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

www.migroskurumsal.com