

CEO's Message

STRONG GROWTH

BENEFITING FROM MULTICHANNEL COMPETENCIES, **EFFECTIVE PRICING STRATEGIES**, AND INCREASING CUSTOMER FOOTFALL AS WELL AS FROM A STRONG RECOVERY IN THE COUNTRY'S TOURISM INDUSTRY, MIGROS CONTINUED TO GROW IN 2022.



Valued Migros stakeholders:

I must sadly begin my remarks by expressing my condolences to our entire country and nation on account of the earthquakes we experienced in February. May God have mercy on the souls of those whom we lost; for their survivors I wish the speediest of recoveries. We were deeply grieved by the painful loss of twenty two members of the Migros family—each one a young, wonderfully and exceptionally valuable individual in the prime of life with their own hopes for the future. They will forever

remain in our hearts as members of the Migros team.

The morning of the same day that the earthquake struck in the dead of night, Migros immediately reached out to its employees and their families while also dispatching lorries loaded with aid for victims in stricken areas. Working in coordination with authorities, we supported rescue and recovery efforts and continue to do even now. We can only hope never to have to suffer so great a catastrophe as this one yet again.

Economic & sectoral review

Responding to steadily accelerating renormalization as our country emerged from the pandemic, the food retailing industry remained vigorous in 2022. Physical store openings continued apace throughout the sector while online retailing investments lost none of their momentum. Our business of course is a highly competitive one in any case, but the spate of new stores opening their doors for the first time made it even more so. Changes in consumer shopping habits brought on by the pandemic likewise necessitated increased investment in digitalization and associated infrastructure.

Migros introduced efficiency-enhancing new services & logistics models benefiting from advances in artificial intelligence technologies

while also continuing to create new integrated sales channels in order to reach customers in every possible way and never relaxing its resolve to supply customers with the highest-quality products and services at the most affordable prices. Migros also gave its full backing to the government's anti-inflation program by delaying the reflection of costlier inputs into shelf prices for as long as possible. It likewise made its own contribution to consumers' household budgets by conducting campaigns in which thousands of items were offered at discount prices.

Financial & operational performance

Benefiting from multichannel competencies, effective pricing strategies, and increasing customer footfall as well as from a strong

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recovery in the country's tourism industry, Migros continued to grow in 2022. Consolidated sales were up by 105% year-on and reached TL 74.5 billion.

Last year our company continued to expand its presence in both bricks & mortar and online retailing. During 2022 Migros invested more than TL 2.2 billion in growth-supporting logistical services, energy, and technology investments while also creating new employment opportunities in both channels.

Thanks both to effective cost management in the face of rising operational expenses and to strong turnover growth, Migros' consolidated EBITDA increased by 106% and reached TL 6 billion with an EBITDA margin on the order of 8.0%. Thanks likewise to strong cash flow creation, the company was also able to reduce its financial indebtedness last year. In 2022 Migros secured a net profit of TL 2,580 million, TL 993 million of which was attributable to a one-off deferred tax income, significantly improved its shareholders equity position, and reached a position of technically being able to pay out a dividend.

Strategizing and gearing up for the future

In 2022 Migros continued to focus on opportunities for pursuing physical and online channel growth. The progress that was achieved on that front last year has also wrought meaningful, beneficial changes in Migros' growth story as well as in how the company is viewed by investors. Having strengthened its balance sheet and paying down its FX-denominated debt, our company is now in a position to invest more in new infrastructure and business lines. The strategy changes that we anticipated making in the post-pandemic landscape are one by one taking shape and going live. While continuing to come up with innovative solutions enabling us to respond quickly to customers' needs and expectations, we're also developing new partnership structures focused on creating sustainable long-term value. Over the last two years, Migros launched four new subsidiaries: Migros One, MoneyPay, Migen Enerji, and Mimedra. The Company also increased its 50% stake in courier service provider Paket Lojistik to 75%. By supporting Migros' core business activity—retailing—these new subsidiaries will help position Migros even more strongly in the highly competitive retailing industry and ensure the sustainability of the company's long-term growth. We have been building a new ecosystem around Migros by establishing strong subsidiaries. I would like to state that this process will continue in 2023.

As things now stand, all the operations of Migros Sanal Market, Migros Hemen, Migros Ekstra, MacroOnline, and Tazedirekt have been combined under Migros One, which provides distribution service and software management support for all five. To this group we last year added "Migros Yemek", a new online food ordering and delivery platform, that is now serving customers in many cities through an extensive network of restaurants etc offering a wide range of affordably-priced, highly-diversified, and healthy meal-choice options. We are currently involved in setting up another Migros One operation we're calling "Migros One Kitchen". This is a network of so-called "cloud kitchens" with more than ten Migros private-label offerings to prepare affordably-priced, superior-quality, and tasty meal options. We intend to continue investing in cloud kitchens, to increase their number, and to expand our portfolio by creating new private-label offerings in line with customers' expectations.

In 2022 we continued our efforts to create value in the ready-meals segment. We introduced Migros Ev Lezzetleri (Home-Cooked) takeaway at 250 stores in 40 provinces. Migros Sokak Lezzetleri (Street Food) takeaway is being sold at stores in four provinces and we also have a Migros Lezzet Meydanı (Food Court) cafe at one location.

Having received its e-money license, our fintech subsidiary MoneyPay expanded its service portfolio with the addition of a "Buy Now Pay Later" option. MoneyPay plans to quickly introduce other customer-value creating products and solutions in the period ahead. I believe that the

LONG-TERM SUSTAINABLE VALUE

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NEW PARTNERSHIP STRUCTURES FOCUSED ON
CREATING SUSTAINABLE LONG-TERM VALUE.

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synergies arising from MoneyPay's collaboration with Migros will nourish that company's rapid growth and enable it to create long-term value for Migros.

Another subsidiary that we set up in 2022 is Migen Enerji, an electric vehicle recharging service provider. Our plan is for Migen Enerji to set up EV recharging stations at more than fifty Migros store locations and begin serving customers in 2023.

Last year we also continued to focus on information technologies and digitalization and to invest in intelligent-solution projects carried out by startups working with our Migros Up co-innovation platform. These investments allow us to quickly incorporate the innovative AI-supported smart solutions provided by startups into many aspects of our business ranging from retailing practices to financing systems. A good example of this is the Hergele Mobility startup that we invested in for the development of Wamo, a warehouse mobility vehicle that significantly improves the efficiency of Migros Sanal Market order-filling processes.

Migros Better Future Plan

The detailed information about Migros' sustainability-related efforts and operations under the Migros Better Future Plan that is presented in this year's integrated annual report once again reveals the degree to which Migros is committed to realizing its aim of ensuring a better and more sustainable future for everyone. Migros' shares have been included in the Borsa İstanbul BIST Sustainability Index without exception in every year since that index's inception in 2014. When the Borsa İstanbul stock exchange launched its BIST Sustainability 25 Index, our company's shares immediately qualified for inclusion and have remained since. Migros' Carbon Disclosure Project reports of its climate-change mitigation and water-conservation efforts have again qualified it as a Climate Leader and a Water Leader for the fourth and second times respectively.

Migros gives much attention to supporting sustainable agricultural practices and smallholders, to sourcing from cooperatives, and to prioritizing localized production and sale of farmed products.

Migros demonstrated its commitment to combating climate change by declaring that it had revised its carbon footprint reduction target so as to be compatible with the 1.5 °C scenario. New investments to generate electricity from solar power will contribute to a more sustainable future. Migros is engaged in an ongoing and determined effort to achieve its 2030 carbon-emissions,

water-consumption, and food-waste prevention targets within the overall framework of the Migros Better Future Plan; indeed, it is striving to surpass them. In the area of social sustainability, Migros is making strong progress especially towards the fulfillment of its gender-equality and opportunity-equality targets.

In 2023 Migros will be looking to further expand its online operations, open 365 new stores, create about 10,000 new jobs, and invest about TL 4 billion in a variety of projects. I have every reason to be confident that our current growth momentum will remain strong in the period ahead.

For Migros, "economics" involves much more than just "company" or "industry"; it means thinking about the social, environmental, and economic wellbeing of an entire ecosystem of which it, along with its stakeholders together with their interests and resources, is a part. It is because of this mindset that Migros will continue marshal all the means at its disposal to create shared value in partnership with its stakeholders and move forward with them.

I close these remarks with my wishes for a speedy recovery from the recent earthquakes and with my thanks to everyone for their confidence in Migros.

Thank you for your attention.

Ö. Özgür TORT, PhD
Chief Executive Officer
Migros Ticaret A.Ş.

A CDP LEADER

MİGROS' CARBON DISCLOSURE PROJECT
REPORTS OF ITS CLIMATE-CHANGE MITIGATION
AND WATER-CONSERVATION EFFORTS HAVE
QUALIFIED IT AS A CLIMATE LEADER AND A
WATER LEADER FOR THE FOURTH AND SECOND
TIMES RESPECTIVELY.