

MiGROS



Migros Ticaret A.Ş.

01.01.2013 – 31.12.2013

Activity Report

AUDITOR'S REPORT ON ANNUAL REPORT

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

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Migros Ticaret A.Ş. ("the Company") prepared as of 31 December 2013 are consistent with the audited consolidated financial statements as of the same date.
2. Management is responsible for the preparation of the annual report in accordance with "the Communiqué related to the Determination of the Minimum Content of the Companies' Annual Report".
3. Our responsibility is to express an opinion on whether the financial information provided in the annual report is consistent with the audited consolidated financial statements on which we have expressed our opinion dated 11 March 2014.

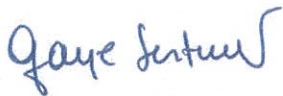
Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. Based on our opinion, the financial information and the assessment and explanations of the Board of Directors in the accompanying annual report of Migros Ticaret A.Ş. are consistent with the audited consolidated financial statements as at 31 December 2013.

İstanbul, 11 March 2014

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



Zere Gaye Şentürk
Partner

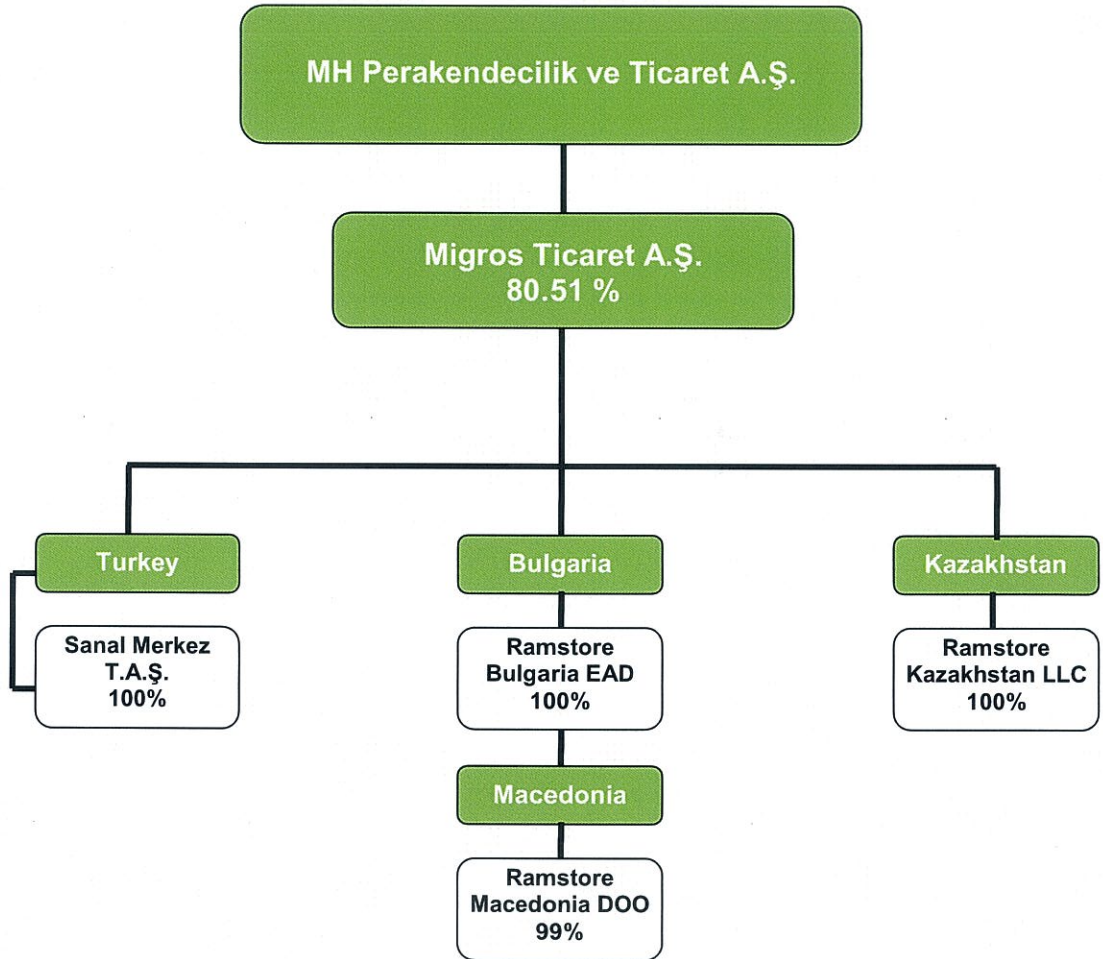
CORPORATE PROFILE

Company	: Migros Ticaret A.Ş.
The Date of Foundation*	: 19.03.2008
Trade Registry Office	: Istanbul Trade Registry Office
Trade Registry Number	: 659896
Tax Administration	: Büyük Mükellefler Vergi Dairesi
Tax ID	: 6220529513
Address	: Atatürk Mahallesi Turgut Özal Bulvarı No: 7 34758 Ataşehir - İstanbul
Phone	: 0216 579 30 00
Fax	: 0216 579 35 00
Corporate Web Site	: www.migroskurumsal.com
E-mail	: malimigros@migros.com.tr
Capital	: TL 178,030,000
Stock Exchange	: İstanbul Stock Exchange
Listing Year at the Stock Exchange**	: 2009
Symbol	: MGROS.IS

(*) : Migros Türk T.A.Ş. and Moonlight Perakendecilik ve Ticaret A.Ş., established in March 19, 2008, were merged on April 30, 2009. Moonlight changed its name to Migros Ticaret A.Ş. subsequent to the merger.

(**) : It is the first listing date of Migros Ticaret A.Ş. in ISE following the merger with Migros Türk T.A.Ş.

Migros Ticaret A.Ş. Ownership Structure and Its Subsidiaries as of December 31, 2013



INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) grew by 4.0% in the first 9 month of 2013 in real terms. The final consumption expenditure of resident and non-resident households on the economic territory increased by 11.5% in the first 9 month of the year. The low course on the consumer confidence index reflected negatively on consumer expenditures.

The CPI, which was 6.16% in 2012, grew by 7.40% in December 2013 in comparison to the same period of last year. The food prices, which were higher than expected, and increase on currency were the main reasons of this inflation level.

SECTION 1: CORPORATE INFORMATION

Board of Directors

Board Members of our Company are shown below.

Board of Directors

Fevzi Bülent Özyayın	Chairman
Nicholas Stathopoulos	Board Member / Member of the Corporate Governance Committee
Stefano Ferraresi	Board Member / Member of the Early Recognition of Risk Committee
Ömer Özgür Tort	Board Member / General Manager
Giovanni Maria Cavallini	Board Member
Glen Allen Osmond	Board Member
Jacob Cornelio Adriano de Jonge	Independent Board Member / President of the Early Recognition of Risk Committee
Tayfun Bayazıt	Independent Board Member / President of the Audit Committee / Member of the Early Recognition of Risk Committee
Hakkı Hasan Yılmaz	Independent Board Member / President of the Corporate Governance Committee / Member of the Audit Committee

Information on external positions held by Board members and Independent Board Members' Affidavit is provided at the Company corporate website at www.migroskurumsal.com. The Board of Directors convened 16 times in 2013. A minimum of 5 members attended each meeting.

Authorities and Duties of the Board of Directors

According to the Articles of Association of the Company, the Board of Directors have the authority to take any decision with the exception of matters that needs the resolution of the General Assembly in accordance with the laws and Company's Articles of Association.

Authorities and Duties of the Auditors

Article 400 ("Auditors") of the Turkish Commercial Code reads:

An auditor may be any individual who is licensed pursuant to the Certified Public Accountancy and Chartered Accountancy Act (Statute 3568 dated 1 June 1989) to perform independent audits as a chartered accountant or as a certified public accountant and who has been authorized to do so by the Public Oversight, Accounting, and Auditing Standards Authority and/or by a joint-stock company whose shareholders consist of such individuals.

At the Company's General Assembly Meeting dated September 25, 2013, "DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş." (a member of Deloitte Touche Tohmatsu International) was elected as auditor for 2013 fiscal year.

Board of Directors of the Company decided to appoint DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) as the independent auditor for 2014 fiscal year with a resolution dated March 04, 2014, and to submit this proposal to the General Assembly's approval.

The Audit Committee should consist of two independent board members, committee president Tayfun Bayazıt and Hakkı Hasan Yılmaz. The Audit Committee convenes four times a year.

The shareholding structure of Migros Ticaret A.Ş.

The names of shareholders, shareholding amounts and percentages of the shareholders holding more than 10% of the TL 178,030,000 capital, are as follows:

As of December 31, 2013;

Migros Ticaret A.Ş.		
Shareholder	Share (%)	Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	80.51	143,323,336
Other	19.49	34,706,664
Total	100.00	178,030,000

Information About the Most Recent Capital Increase

No increase was made in the capital during January 01 – December 31, 2013.

Information on General Assembly Meeting

General Assembly Meeting

Meeting Minutes and List of Attendees pertaining to Ordinary General Assembly Meeting of our Company dated 25.09.2013 were disclosed in our corporate web site (www.migroskurumsal.com). In the Ordinary General Assembly Meeting, the statutory and the consolidated financial statements dated 31.12.2012, which was prepared in accordance with IFRS and the other agenda articles were duly accepted.

During the General Assembly Meeting, as per the Communique of the Board of Capital Markets on Independent Auditing Standards, it was resolved by the Board of Directors that "DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş." (a member of Deloitte Touche Tohmatsu International) which was recommended by the Audit Committee and selected for the year 2013 be authorized to act as independent external auditor.

Amendments in the Articles of Association

In the material event disclosure dated 09.04.2013 at Public Disclosure Platform ("KAP"), the resolution of Board of Directors on amendment of Articles of Association was disclosed. In accordance with the suggestions and comments of Capital Markets Board on the drafts of amendments of the Articles of Association, it has been resolved at the Board of Directors meeting dated 28.06.2013 to amend the contents of;

- Article 3 named "Purpose of Scope", Article 5 named "Headquarters and Branches",
- Article 7 named "Share Capital", Article 8 named "Share Certificates",
- Article 9 named "Issuance of Shares", Article named 10 "Issuance of Securities",
- Article 11 named "General Assembly Meetings", Article 11/A named "Submitting the Minutes and its Annexes to the Ministry and the Capital Markets Board and the Announcement of the Minutes and its Annexes",
- Article 12 named "Voting", Article 13 named "Chairman's Panel",
- Article 14 named "Meeting and Resolution Quorums", Article 15 named "Commissar",
- Article 16 named "Board of Directors", Article 16/A named "Committees",
- Article 17 named "Term of Office and Duties of the Board of Directors",
- Article named 18 "Meeting of the Board of Directors",
- Article 19 named "Meeting and Resolution Quorum of the Board of Directors",
- Article 20 named "Binding and Representing the Company",
- Article 21 named "Remuneration of the Directors",
- Article 23/A named "Financial Statements and Independent Audit", by changing the Article number as 22,
- Article 25 named "Announcements", by changing the Article number as 23,
- Article 26 named "Amendments to the Articles of Association", by changing the Article number as 24,
- Article 28 named "Distribution of Profit", by changing the Article number as 26,
- Article 29 named "Date of Dividend Distribution" by changing the Article number as 27,
- Article 30 named "Reserves", by changing the Article number as 28 and
- Article 32 named "Legal Provisions", by changing the Article number as 30, of Articles of Association,

to remove;

- Article 22 named "Auditors", Article 23 named "Duties of the Auditors",
- Article 24 named "Remuneration of Auditors" and
- Article 33 named "Articles of Association to be Delivered to the Ministry" of Articles of Association,

to change; (by without any changes in the current contents)

- the number of Article 27 named "Annual Accounts" with Article 25,
- the number of Article 31 named "Dissolution and Liquidation of the Company" with Article 29,
- the number of Article 34 named "The Competent Court" with Article 31,
- the number of Article 35 named "Compliance with Corporate Governance Principles" with Article 32.

As it is stated in the material event disclosures dated 22.07.2013 and 25.07.2013 at Public Disclosure Platform ("KAP"), the necessary approvals of Capital Markets Board and Republic of Turkey Ministry of Customs and Trade are granted respectively and the aforementioned amendments were approved by shareholders at the General Assembly Meeting dated September 25, 2013. General Assembly Meeting and aforementioned amendments were registered on October 08, 2013.

The information regarding the Amendments in the Articles of Association is posted to the corporate website of the Company (www.migroskurumsal.com) and in the Public Disclosure Platform ("KAP").

The Dividend Policy of Migros

As it was submitted to shareholders at the General Assembly Meeting on September 25, 2013;

"In line with the Company's long-term strategies, investments and financing plans and profitability, the amount of dividend, which is determined by the Board of Directors and submitted for the approval of the General Assembly, calculated in accordance with the CMB communiqués and regulations, can be distributed in cash, in the form of bonus shares or in the combination of the two, or retained in the Company. This is the Company's policy for the next three years. Any change in this policy will be publicly disclosed."

The Dividend Distribution

At the General Assembly Meeting of our company held on September 25, 2013;

It was stated that within the Communiqué of Capital Markets Board (CMB) Serial: IV, No: 27, related with the distribution of dividend for the listed companies at Borsa Istanbul (BIST), and in accordance with our articles of association and dividend distribution policies that were disclosed to public by our company, the company recorded TL 88.136.409 net profit at the 2012 consolidated financial statements prepared in accordance with CMB legislation. It was reported that since the legal limit has been reached, the allocation of primary reserve is not required, the dividend distribution has not been proposed in order to provide a robust balance sheet structure and to manage the cash flow more effectively for the upcoming years and the Company plans to use this profit to finance working capital and Capital expenditure requirements of the Company in the future.

In the General Assembly, it was resolved to retain net profit for the extraordinary legal reserve and to submit no dividend distribution for 2012 fiscal year.

SECTION 2: FINANCIAL INFORMATION

Sales

(thousand TL)

	January 1 – Dec. 31, 2013	January 1 – Dec. 31, 2012
Domestic sales	6,897,693	6,271,076
Foreign sales	419,992	394,733
	7,317,685	6,665,809
Other sales	13,590	10,333
	7,331,275	6,676,142
Less: Discounts and returns	(204,350)	(193,740)
Sales revenue – net	7,126,925	6,482,402

The Financial Ratios

The financial resources and the risk management policies

Loans

As of December 31, 2013, the outstanding loans of the Company stands at TL 2,932,541 thousand, out of which TL 491,973 thousand, is due within the next 12 months.

Risk management policies

The company's exposure to the fluctuations in foreign exchange rates and interest rates, is mainly due to the foreign exchange denominated loans in its Balance Sheet. Foreign exchange risk from loans and fluctuations in Euribor rates are continuously monitored and partially limited by hedging derivative instruments. Detailed information has been provided at Note 29, titled Financial Risk Management, of Consolidated Financial Statements for the Period 1 January – 31 December 2013 of the Company.

Risk management is implemented by each subsidiary within the framework of policies decided by the Board of Directors.

At the Board of Directors meeting dated 9 October 2012, Tayfun Bayazit, Jacob Cornelio Adriano de Jonge, Stefano Ferraresi and Erkin Yilmaz were elected to the Early Recognition of Risk Committee which was founded in accordance with the New Turkish Commercial Code, Capital Markets Code and Corporate Governance Principles. Jacob Cornelio Adriano de Jonge was elected as the President of the Committee in accordance with Capital Markets Board regulations. The committee, consists of four members, convenes six times in a year.

The Early Recognition of Risk Committee coordinates to take precaution against predictable risks that the company might face as a result of its financial structure.

The significant events that take place from ending of the fiscal period to publication of the respective financial statements

In the footnote 33 'Subsequent Events' of the Consolidated Financial Statements, necessary explanations are provided on the matter.

The quality and amount of the capital market instruments that have been issued

N/A.

Financial Statements

Migros - IFRS Consolidated Income Statement Summary (Thousand TL)	Jan. 01 – Dec. 30, 2013	%	Jan. 01 – Dec. 30, 2012	%
Net Sales	7,126,925	100.0	6,482,402	100.0
Cost of sales (-)	-5,232,223	-73.4	-4,777,773	-73.7
Gross Profit	1,894,702	26.6	1,704,629	26.3
Operating Expenses	-1,603,262	-22.5	-1,434,956	-22.1
Other Operating Income / (Expense)	-55,398	-0.8	-72,109	-1.1
Operating Profit	236,042	3.3	197,564	3.0
Income / (Expense) from investment activities	-5,755	-0.1	-3,118	-0.0
Operating Income Before Finance Income / (Expense)	230,287	3.2	194,446	3.0
Financial Income / (Expense)	-615,004	-8.6	-65,536	-1.0
Income/Loss Before Tax	-384,717	-5.4	128,910	2.0
Tax Income / (Expenses)	-70,938	-1.0	-36,506	-0.6
Deferred Tax Income	-7,478	-0.1	-4,268	-0.1
Net Profit / Loss	-463,133	-6.5	88,136	1.4
<i>Income For The Period-Non-controlling Interest</i>	<i>42</i>	<i>0.0</i>	<i>73</i>	<i>0.0</i>
<i>Income For The Period-Parent Company Shares</i>	<i>-463,175</i>	<i>-6.5</i>	<i>88,063</i>	<i>1.4</i>

EBITDA	469,255	6.6	430,103	6.6
EBITDAR	812,916	11.4	735,734	11.3

Migros IFRS Consolidated Balance Sheet Summary (Thousand TL)	December 2013	%	December 2012	%
Current Assets	1,980,727	34.2	1,908,550	33.9
Non-current Assets	3,815,908	65.8	3,715,795	66.1
Total Assets	5,796,635	100.0	5,624,345	100.0
Current Liabilities	2,360,669	40.7	1,875,140	33.3
Non-current Liabilities	2,605,742	45.0	2,487,129	44.2
Total Liabilities	4,966,411	85.7	4,362,269	77.6
Parent Company Equity	829,533	14.3	1,261,554	22.4
Non-controlling Interest	691	0.0	522	0.0
Total Equity	830,224	14.3	1,262,076	22.4
Total Liabilities and Equity	5,796,635	100.0	5,624,345	100.0

Financial Structure and Profitability Ratios

LIQUIDITY RATIOS	December 2013	December 2012
Current Ratio	0.84	1.02

FINANCIAL STRUCTURE RATIOS	December 2013	December 2012
Financial Leverage (Total Liabilities / Total Liabilities and Equity)	0.86	0.78
Total Liabilities / Equity	5.98	3.46
Financial Liabilities / Total Assets	0.51	0.44
Net Cash Position (Thousand TL)	-1,887,060	-1,447,205

PROFITABILITY RATIOS (%)	Jan. 1 – Dec. 31 2013	Jan. 1 – Dec. 31 2012
Gross Profit Margin	26.6	26.3
Operating Profit Margin	3.3	3.0
EBITDA Margin	6.6	6.6
EBITDAR Margin	11.4	11.3
Net Profit / Loss Margin	-6.5	1.4

SHARE PERFORMANCE RATIOS	December 2013	December 2012
Market Cap (Thousand TL)	2,848,480	3,827,645
Share Price (TL)	16.00	21.50
Earnings Per Share (EPS) (Kr)	-2.60	0.49

SECTION 3: OPERATIONAL ACTIVITIES

Position of Migros in the Sector and Investments

Operating in the food and consumer goods sector, Migros Ticaret A.Ş. is engaged in the retail sale of all types of food products and consumer goods, as well as their wholesale for retail consumption. The Company also operates shopping malls in Turkey and abroad through its subsidiaries.

The Company operates a network of 1,004 stores in total at the end of December 31, 2013, of these 144 Migros Jet, 299 M, 205 MM, 74 MMM Migros supermarkets, 21 5M hypermarkets, 123 Mini, 54 Midi, 22 Maxi Tansaş supermarkets and 23 Macrocenter stores in seven geographical regions throughout Turkey, as well as 25 Ramstores in Kazakhstan and 14 Ramstores in Macedonia operated through its subsidiaries abroad.

During January 01 – December 31, 2013, Migros Ticaret A.Ş. opened 154 supermarkets, 3 hypermarkets and 8 Ramstores.

135 Migros stores			
<u>M (40 stores)</u>	<u>MM (19 stores)</u>	<u>MMM (7 stores)</u>	<u>Migrosjet (69 stores)</u>
Bursa (2) Edirne (1) Zonguldak (1) Amasya (1) Kocaeli (2) Düzce (1) Samsun (2) Mersin (1) Afyon (2) Eskişehir (2) İzmir (3) Bolu (1) Aydın (1) Diyarbakır (1) Artvin (1) Antalya (4) Muğla (4) İstanbul (1) Balıkesir (3) Şanlıurfa (1) Tekirdağ (1) Isparta (1) Ankara (1) Kars (1) İğdır (1)	Antalya (1) İstanbul (4) İzmir (4) Ordu (2) Siirt (1) Tekirdağ (1) Denizli (1) Bilecik (1) Manisa (1) Adana (1) Trabzon (1) Samsun (1)	İstanbul (3) Antalya (1) Gaziantep (1) Hatay (1) Eskişehir (1)	Antalya (8) Balıkesir (3) Bursa (2) İstanbul (23) Kocaeli (3) Muğla (7) Yalova (2) Sakarya (4) Tekirdağ (2) Kırklareli (2) Ankara (1) Konya (1) İzmir (1) Aydın (3) Mersin (4) Adana (1) Samsun (1) Kırşehir (1)

16 Tansaş stores		
<u>Mini (14 stores)</u>	<u>Midi (1 store)</u>	<u>Maxi (1 store)</u>
Balıkesir (1) İzmir (8) Muğla (4) Aydın (1)	İzmir (1)	İzmir (1)

3 Macrocenter stores
İstanbul (1) Muğla (2)

3 5M Hypermarket stores
Samsun (1) Kahramanmaraş (1) Şanlıurfa (1)

8 Ramstores
Macedonia (7) Kazakhstan (1)

SECTION 4: CORPORATE GOVERNANCE

Statement of Compliance with Corporate Governance Principle

Migros Ticaret A.Ş. is taking necessary steps to adopt the “**Communiqué on Corporate Governance (II-17.1)**”, which were announced by the Capital Markets Board of Turkey (CMB). The application of the main principles of Corporate Governance, which are fairness, transparency, responsibility and accountability are continuously reviewed, deficiencies are addressed with the aspiration of becoming an exemplary role model. The Company has adopted the main principles of Corporate Governance which are:

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

Migros Corporate Governance Principles Compliance Report, in addition to the annual report, can be accessed at the corporate website (www.migroskurumsal.com) in the Investor Relations section.

Corporate Governance Committee

The working principles of the Corporate Governance Committee are determined by the Board of Directors in line with the requirements of “**Communiqué on Corporate Governance (II-17.1)**” and the requirements of Turkish commercial law. The committee’s duties consist of overseeing the company’s compliance with corporate governance principles, with taking such action as may be required by current Capital Markets Law and other applicable laws, regulations, and administrative provisions, and with making such recommendations to the Board of Directors as may be deemed to be necessary to constantly improve the company’s performance in the area of corporate governance.

A corporate governance committee was set up in 2007 and charged with monitoring corporate governance activities throughout the company and with overseeing the work of the Investor Relations Department.

Hakkı Hasan Yılmaz, Nicholas Stathopoulos and Affan Nomak were elected to the Corporate Governance Committee at the Board of Directors meeting dated 9 October 2012. Besides, Hakkı Hasan Yılmaz was elected as the President of the Committee in accordance with Capital Markets Board regulations. Furthermore, within the scope of the “**Communiqué on Corporate Governance (II-17.1)**”, it has been resolved that the Corporate Governance Committee will be responsible for the duties of the Nomination Committee and the Remuneration Committee. The committee, consists of three members, convenes four times in a year.

Investor Relations

Investor Relations Department, founded under the Finance Department in 2003, not only manages the relations with domestic and foreign investors but also the processes related to General Assembly, capital increases and dividend distribution. All enquiries and transactions of the shareholders regarding capital increases and dividend payments are handled here by the Investor Relations Department.

In addition, the Investor Relations communicates directly with various institutions including the Capital Markets Board (CMB), Borsa Istanbul (BIST), Central Registry Agency (CRA) and Takasbank (ISE Settlement and Custody Bank Inc.) and represents the Company. Keeping records of the Board of Directors meetings and material disclosures to the Public Disclosure Platform (KAP) in compliance with the CMB Communiqué on Material Events are among the Department’s other activities. Migros’ Investor Relations Department keeps up with relevant legislation as well as CMB communiqués and informs the senior management on the matters requiring compliance.

The department also responds to the information requests about the Company. Investor Relations is also responsible for the preparation of the annual reports as well as the coordination of Corporate Governance operations and activities.

All shareholders requesting information about Migros can submit their queries by sending e-mail to investor_relations@migros.com.tr. All other channels of communication are also available for the shareholders.

Other Matters

The stakeholders can reach the Corporate Governance Principles Compliance Report as well as the information on corporate social responsibility activities which has an impact on social and environmental matters, employees’ rights and their vocational training at the Company corporate website at www.migroskurumsal.com. The assessment of the Board of Directors on the Committees’ work guidelines and their effectiveness is included in the Corporate Governance Principles Compliance Report.

Information about various lawsuits filed against or in favour of the Group is provided in the Note 15 of the Consolidated Financial Statements for the Period 1 January – 31 December 2013 of the Company.