

MiGROS



Migros Ticaret A.Ş.

01.01.2011 – 31.12.2011

Activity Report

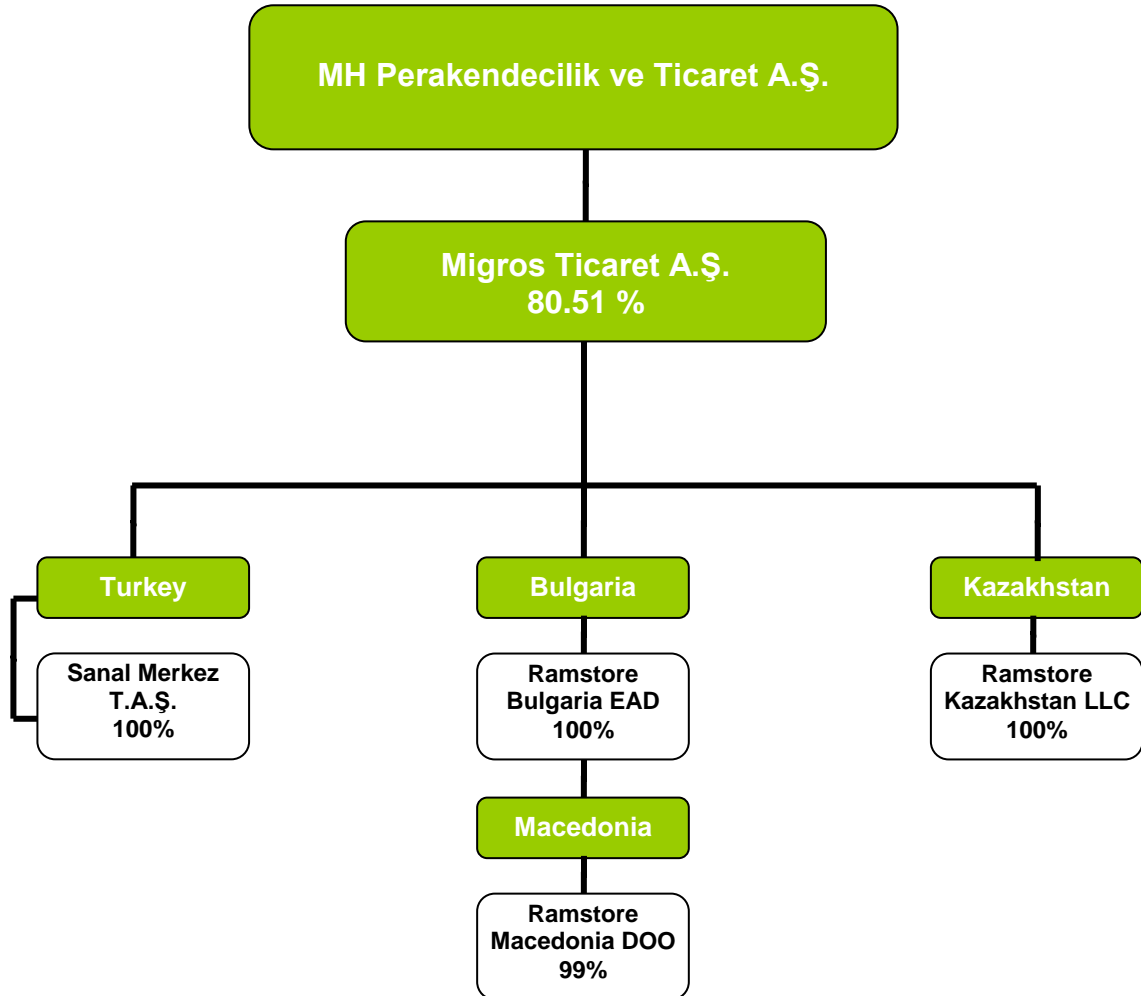
CORPORATE PROFILE

| | |
|---|--|
| Company | : Migros Ticaret A.Ş. |
| The Date of Foundation* | : 19.03.2008 |
| Trade Registry Office | : İstanbul Trade Registry Office |
| Trade Registry Number | : 659896 |
| Tax Administration | : Büyük Mükellefler Vergi Dairesi |
| Tax ID | : 6220529513 |
| Address | : Turgut Özal Caddesi No:12 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 31 December 2011



INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) did grow by 8.5% in 2011 in real terms. Food, beverage and tobacco spend, which started its recovery at the beginning of 2010, increased by 6.3% in 2011. Consumer confidence index, reaching 91.00 by the end of 2010, was almost the same at the end of 2011, registering a modest increase of 1.10%. In parallel with the slowdown in the last quarter the ratio of current account deficit to GDP stated its retreat.

Turkish Lira experienced a significant devaluation since the beginning of 2011, causing further input, especially petrol price inflation. By the end of the year in 2011, the CPI is 10.45%, which has not changed in March 2012 with 10.43%. The price inflation of food and beverages is 11.25% in March 2012 versus the same period last year.

According to the Trade Council of Shopping Centers and Retailers (TCSCR), the sales revenues of organized retail increased by 9% in 2011. During the same period, grocery retail sales revenues increase is 3%.

SECTION 1: CORPORATE INFORMATION

Board of Directors

Board Members and Auditors of our Company are shown below.

Board of Directors

| | |
|----------------------------------|--------------------------|
| Fevzi Bülent Özaydınlı | Chairman |
| Antonio Belloni | Member |
| Nicholas Stathopoulos | Member |
| Stefano Ferraresi | Member |
| Cedric Brice Dubourdieu | Member |
| Evren Rıfki Ünver | Member |
| Ömer Özgür Tort | Member / General Manager |
| Pedro Miguel Stemper | Member |
| Giovanni Maria Cavallini | Member |
| Sharifa Salim Mohamed Al Busaidy | Member |
| Carlo Francesco Frau | Member |

Auditors

| | |
|------------------------|---------|
| Mustafa Bilgutay Yaşar | Auditor |
| Yüksel Toparlak | Auditor |
| Recep Bıyık | Auditor |

Stefano Ferraresi and Evren Rıfki Ünver are the members of the Audit Committee. Nicholas Stathopoulos, Ömer Özgür Tort, Erkin Yılmaz and Affan Nomak are in the Corporate Governance Committee of our company.

Authorities and Duties of the Board of Directors

According to the articles 16th and 17th in 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

According to the articles 22nd and 23rd in the Articles of Association of the Company, the duties, liabilities and responsibilities of auditors as well as matters pertaining thereto are governed by provisions of the Turkish Commercial Code, provided that clauses of Article 275 of the same Act are binding. A salary or annual remuneration assessed by the General Assembly is paid to each auditor.

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 31 December 2011;

| 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 2011.

Information on General Assembly Meeting

General Assembly Meeting

Meeting Minutes and List of Attendees pertaining to Ordinary General Assembly Meeting of our Company dated 26.05.2011 were disclosed in our corporate web site (www.migroskurumsal.com). In the Ordinary General Assembly Meeting, the statutory and the consolidated financial statements dated 31.12.2010, which was prepared in accordance with IFRS, merger decision with Ades Gıda Sanayi ve Ticaret Anonim Şirketi, Amaç Gıda Ticaret ve Sanayi Anonim Şirketi ve Egeden Gıda Tüketim Malları Ticaret ve Sanayi Anonim Şirketi and the other agenda articles were duly accepted.

During the General Assembly Meeting, as per the Communiqué of the Board of Capital Markets on Independent Auditing Standards, it 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 2011 be authorized to act as independent external auditor.

Meeting Minutes and List of Attendees pertaining to Ordinary General Meeting of our company pertaining to 2010 operations have been disclosed in our corporate web site (www.migroskurumsal.com) and in 2010 annual report.

Amendments in the Articles of Association During the Period

No change was made in the articles of association during 2011.

The Dividend Policy of Migros

As it was submitted to shareholders at the General Assembly Meeting on 26 May 2011;

"In line with the Company's long-term strategies, investments and financing plans and profitability, the amount of dividend which was determined by the Board of Directors and submitted for the approval of the General Assembly, computed in accordance with the CMB communiqués and regulations, can be distributed in cash or in the form of bonus shares of stock, or some combination of the two. 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 26 May 2011;

It was resolved to propose no dividend distribution for 2010 fiscal year in accordance with the decision of Capital Markets Board (CMB) dated 27.01.2010 numbered and 02/51 related with the distribution of dividend for listed companies, in the Communiqué of CMB Serial: IV, No: 27, provisions presented in our articles of association and dividend distribution policies that were disclosed to public by our company. In the consolidated financial statements of 2010, Migros recorded TL 42,674,000 net profit. Net profit was allocated to the extraordinary reserves. As legal limit is reached, there is no need to set aside primary legal reserve.

SECTION 2: FINANCIAL INFORMATION

Sales

(thousand TL)

| | 1 January – 31 Dec. 2011 | 1 January – 31 Dec. 2010 |
|-----------------------------|--------------------------|--------------------------|
| Domestic sales | 5,547,385 | 5,004,670 |
| Foreign sales | 353,347 | 270,521 |
| | 5,900,732 | 5,275,191 |
| Other sales | 13,625 | 9,927 |
| | 5,914,357 | 5,285,118 |
| Less: Discounts and returns | (161,245) | (125,411) |
| Sales revenue – net | 5,753,112 | 5,159,707 |

Note about discontinued operations: Profit/loss due to the disposal of the subsidiary and Şok Marketler Ticaret A.Ş., in which the company's ownership was 99.6% until 25 August 2011, is classified under "Discontinued Operations" in the accompanying financial statements.

The Financial Ratios

The financial resources and the risk management policies

Loans

On August 4, 2009, Migros Ticaret A.Ş. borrowed a total amount of EUR 1,170,235,000 from the consortium of Akbank, İş Bankası, Garanti Bankası and Vakıfbank, to be paid back by May 2018.

As from December 31, 2011 the outstanding loans of the Company stands at TL 2,587,550 thousand, out of which TL 13,796 thousand, which is the accrual for interest, is due within the next 12 months.

Migros Ticaret A.Ş. made a EUR 100 m early down payment in September.

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 limited by hedging derivative instruments.

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

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

In the footnote 'Events After Balance Sheet Date' 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) | 01 Jan. – 31 Dec. 2011 | % | 01 Jan. - 31 Dec. 2010 | % |
|--|-------------------------------|--------------|-------------------------------|--------------|
| Net Sales | 5,753,112 | 100.0 | 5,159,707 | 100.0 |
| Cost of sales (-) | -4,258,622 | -74.0 | -3,835,105 | -74.3 |
| Gross Profit | 1,494,490 | 26.0 | 1,324,602 | 25.7 |
| Operating Expenses | -1,241,823 | -21.6 | -1,098,661 | -21.3 |
| Other Operating Income / (Expense) | -20,255 | -0.4 | -7,571 | -0.1 |
| Operating Profit | 232,412 | 4.0 | 218,370 | 4.2 |
| Financial Income / (Expense) | -548,270 | -9.5 | -127,354 | -2.5 |
| Income Before Tax From Continued Operations | -315,858 | -5.5 | 91,016 | 1.8 |
| Tax Income / (Expenses) | -53,356 | -0.9 | -34,278 | -0.7 |
| Income For The Period From Continued Operations | -369,214 | -6.4 | 56,738 | 1.1 |
| Income / Loss After Tax From Discontinued Operations | 206,044 | 3.6 | -14,064 | -0.3 |
| Net Profit / Loss | -163,170 | -2.8 | 42,674 | 0.8 |
| <i>Income For The Period-Minority Interest</i> | 75 | 0.0 | 93 | 0.0 |
| <i>Income For The Period-Parent Company Shares</i> | -163,245 | -2.8 | 42,581 | 0.8 |

| | | | | |
|---------------|----------------|------------|----------------|------------|
| EBITDA | 386,009 | 6.7 | 347,528 | 6.7 |
|---------------|----------------|------------|----------------|------------|

* The profit/loss attributable to Şok Marketler Ticaret A.Ş. is shown under discontinued operations in both periods.

**The profit attributable to Şok Marketler Ticaret A.Ş. and Ramstore Azerbaijan sale is shown under discontinued operations

| Migros Ticaret A.Ş. IFRS Consolidated Balance Sheet Summary (Thousand TL) | Dec. 11 | % | Dec. 10 | % |
|--|------------------|--------------|------------------|--------------|
| Current Assets | 1,797,570 | 32.8 | 1,745,344 | 31.3 |
| Non-current Assets | 3,683,394 | 67.2 | 3,822,001 | 68.7 |
| Total Assets | 5,480,964 | 100.0 | 5,567,345 | 100.0 |
| Current Liabilities | 1,578,694 | 28.8 | 1,717,981 | 30.9 |
| Non-current Liabilities | 2,706,563 | 49.4 | 2,502,211 | 44.9 |
| Total Liabilities | 4,285,257 | 78.2 | 4,220,192 | 75.8 |
| Parent Company Shareholders' Equity | 1,195,231 | 21.8 | 1,346,647 | 24.2 |
| Minority Interest | 476 | 0.0 | 506 | 0.0 |
| Shareholders' Equity | 1,195,707 | 21.8 | 1,347,153 | 24.2 |
| Total Liabilities and Shareholders' Equity | 5,480,964 | 100.0 | 5,567,345 | 100.0 |

Financial Structure and Profitability Ratios

| FINANCIAL STRUCTURE AND LIQUIDITY RATIOS | 31 Dec. 11 | 31 Dec. 10 |
|---|-------------------|-------------------|
| Financial Leverage (Total Liabilities / Total Liabilities and Equity) | 0.78 | 0.76 |
| Total Liabilities / Shareholders' Equity | 3.58 | 3.13 |
| Financial Liabilities / Total Assets | 0.47 | 0.43 |
| Net Cash Position (Thousand TL) | -1,577,979 | -1,520,372 |
| Current Ratio | 1.14 | 1.02 |

| PROFITABILITY RATIOS (%) | 31 Dec. 11 | 31 Dec. 10 |
|---------------------------------|-------------------|-------------------|
| Gross Profit Margin* | 26.0 | 25.7 |
| EBITDA Margin* | 6.7 | 6.7 |
| Operating Profit Margin* | 4.0 | 4.2 |
| Net Profit / Loss Margin | -2.8 | 0.8 |

* It shows the profitability rates of continuing operations.

| SHARE PERFORMANCE RATIOS | 31 Dec. 11 | 31 Dec. 10 |
|---------------------------------|-------------------|-------------------|
| Market Cap (Thousand TL) | 2,252,080 | 5,234,082 |
| Share Price (TL) | 12.65 | 29.40 |
| Earnings Per Share (EPS) (Kr) | -0.92 | 0.24 |

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 745 stores in total at the end of December 31, 2011, of these 262 M, 190 MM, 59 MMM, 16 5M, 94 Mini, 60 Midi, 23 Maxi and 13 Macrocenter stores in seven geographical regions throughout Turkey, as well as 23 Ramstores in Kazakhstan and 5 Ramstores in Macedonia operated through its associates abroad.

During 2011, Migros Ticaret A.Ş. opened 5 hypermarkets, 71 supermarkets and 1 Ramstore:

| 61 Migros stores | | | |
|---|--|--|--|
| <u>M (31 stores)</u> Antalya (3) Artvin (1) Aydın (5) Bayburt (1) Bursa (2) Edirne (1) İstanbul (11) İzmir (3) Konya (1) Mersin (1) Muğla (1) Uşak (1) | <u>MM (22 stores)</u> Ağrı (1) Ankara (1) Antalya (2) Balıkesir (1) Bilecik (1) Bolu (1) Bursa (1) Gaziantep (1) İstanbul (5) Kocaeli (1) Konya (1) Mersin (2) Muğla (1) Osmaniye (1) Tekirdağ (1) Yalova (1) | <u>MMM (3 stores)</u> Erzincan (1) İstanbul (1) Samsun (1) | <u>5M (5 stores)</u> Adana (1) Bursa (1) İstanbul(1) İzmir (1) Kayseri (1) |

| 13 Tansaş stores | |
|--|--|
| <u>Mini (10 stores)</u> Antalya (1) İzmir (9) | <u>Midi (3 stores)</u> İzmir (3) |

| 2 Macrocenter stores |
|---|
| <u>Macrocenter (2 stores)</u> Antalya (1) İstanbul (1) |

| 1 Ramstore |
|--|
| <u>Ramstore (1 store)</u> 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 Determination and Implementation of Corporate Governance Principles**” (Serial: IV, No: 56), 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.

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.

Investor Relations

Investor Relations formed 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. Within the same context, all enquiries and transactions of the shareholders regarding capital increases and dividend payments are handled here.

In addition, the Investor Relations communicates directly with various institutions including the CMB, İstanbul Stock Exchange (ISE), 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 ISE in compliance with the CMB Communiqué are among the Department's other activities. Migros' Investor Relations Department monitors relevant legislation as well as CMB communiqués and informs the senior management about the subjects and issues requiring compliance.

The department also responds to the information requests about the Company. Investor Relations is 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.