

MiGROS



Migros Ticaret A.Ş.

01.01.2014 – 31.03.2014

Interim Activity Report

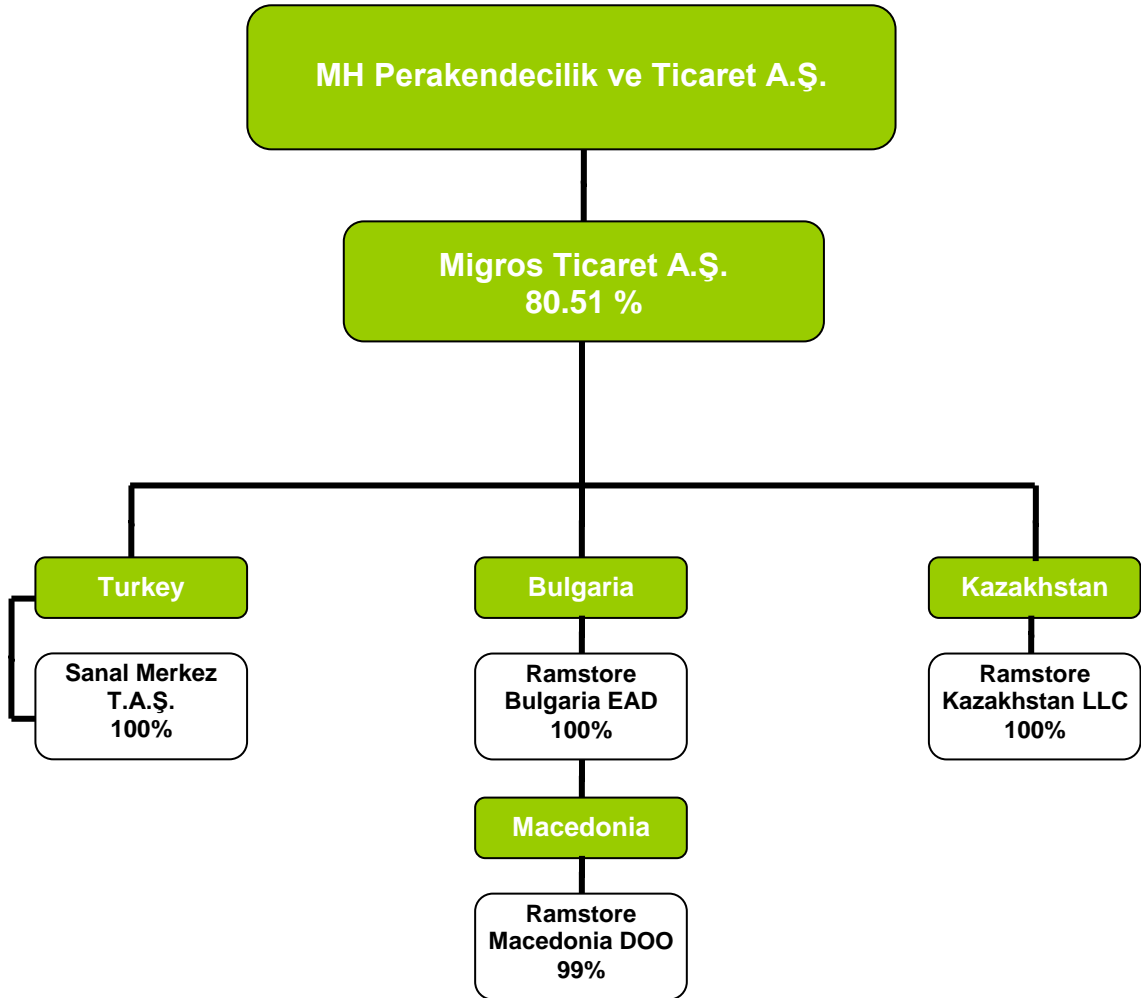
CORPORATE PROFILE

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 March 31, 2014



INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) grew by 4.0% in 2013 in real terms. Food, beverage and tobacco spend increased by 1.9% in real terms and 3.9% in nominal, during the same period. The consumption expenditure of households rose by 4.9% at constant prices and 11.7% at current prices in 2013 versus 2012.

The CPI, which was 7,40% in December 2013 versus the same month of the previous year, rose to 9.38% in April 2014. The prices of food and non-alcoholic beverages grew by 13.15% in comparison to the same period of last year. More than expected rise in food prices and TL devaluation, beginning from the second half of 2013 are the main culprits of rising inflation level.

SECTION 1: CORPORATE INFORMATION

Board of Directors

Board Members of our Company are shown below.

Board of Directors

Fevzi Bülent Özaydınlı	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 8 times in the first quarter of 2014. 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 2013 Ordinary General Assembly Meeting dated April 10, 2014, "DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş." (a member of Deloitte Touche Tohmatsu International) was elected as auditor for 2014 fiscal year.

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 March 31, 2014;

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 – March 31, 2014.

Information on General Assembly Meeting

General Assembly Meeting

Meeting Minutes and List of Attendees pertaining to 2013 Ordinary General Assembly Meeting of our Company dated April 10, 2014 were disclosed in our corporate web site (www.migroskurumsal.com). In the Ordinary General Assembly Meeting, the statutory and the consolidated financial statements dated 31.12.2013, 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 2014 be authorized to act as independent external auditor.

Amendments in the Articles of Association

No change was made in the Articles of Association during January 01 – March 31, 2014.

The Articles of Association is posted to the Investor Relations page of the corporate website of the Company (www.migroskurumsal.com).

The Dividend Policy of Migros

As it was submitted to shareholders at the Ordinary General Assembly Meeting on April 10, 2014;

In line with the Company's long-term strategies, investments and financing plans and profitability, the amount of dividend, which 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, or retain in the Company.

If General Assembly approves dividend distribution; due dates for distribution will be either decided individually by the General Assembly or General Assembly may authorize Boards of Directors. In any case, distribution should start the latest by the end of the fiscal year, in which the General Assembly approves the dividend distribution. Additionally, distribution is complied with all other requirements stated in Capital Market Law and CMB communiqués.

There are no preferred stocks and any individual to take part in the profits other than shareholders 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 Ordinary General Assembly Meeting of our company held on April 10, 2014;

In light of the principles set forth in the Capital Markets Board (CMB) Communique on Profit Shares (II-19.1) as well as the provisions of the Articles of Association of our Company and the framework of the profit distribution policies disclosed to the public by our company, it was decided that no profit be distributed for 2013 since the company recorded a net loss according to the 2013 consolidated financial statements prepared in accordance with CMB legislation.

SECTION 2: FINANCIAL INFORMATION

Sales

(thousand TL)

	January 1 – Mar. 31, 2014	January 1 – Mar. 31, 2013
Domestic sales	1,702,141	1,537,591
Foreign sales	116,236	97,471
	1,818,377	1,635,062
Other sales	3,856	2,753
	1,822,233	1,637,815
Less: Discounts and returns	(49,732)	(47,137)
Sales revenue – net	1,772,501	1,590,678

The Financial Ratios

The financial resources and the risk management policies

Loans

As of March 31, 2014, the outstanding loans of the Company stands at TL 3,036,736thousand, out of which TL 537,408thousand, 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 23, titled Exchange Rate Risk and Foreign Currency Position, of Interim Consolidated Financial Statements for the Period 1 January – 31 March 2014 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 25 'Subsequent Events' of the Interim 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 – Mar. 31, 2014	%	Jan. 01 – Mar. 31, 2013	%
Net Sales	1,772,501	100.0	1,590,678	100.0
Cost of sales (-)	-1,295,237	-73.1	-1,168,635	-73.5
Gross Profit	477,264	26.9	422,043	26.5
Operating Expenses	-413,678	-23.3	-363,312	-22.8
Other Operating Income / (Expense)	-16,360	-0.9	-14,880	-0.9
Operating Profit	47,226	2.7	43,851	2.8
Income / (Expense) from investment activities	-738	0.0	-2,875	-0.2
Operating Income Before Finance Income / (Expense)	46,488	2.6	40,976	2.6
Financial Income / (Expense)	-94,618	-5.3	1,662	0.1
Income/Loss Before Tax	-48,130	-2.7	42,638	2.7
Tax Income / (Expenses)	-16,418	-0.9	-9,568	-0.6
Deferred Tax Income	3,324	0.2	1,820	0.1
Net Profit / Loss	-61,224	-3.5	34,890	2.2
<i>Income For The Period-Non-controlling Interest</i>	13	0.0	18	0.0
<i>Income For The Period-Parent Company Shares</i>	-61,237	-3.5	34,872	2.2

EBITDA	115,232	6.5	104,506	6.6
EBITDAR	207,739	11.7	183,439	11.5

Migros IFRS Consolidated Balance Sheet Summary (Thousand TL)	March 2014	%	December 2013	%
Current Assets	2,036,856	34.9	1,980,727	34.2
Non-current Assets	3,798,396	65.1	3,815,908	65.8
Total Assets	5,835,252	100.0	5,796,635	100.0
Current Liabilities	2,414,479	41.4	2,360,669	40.7
Non-current Liabilities	2,665,602	45.7	2,605,742	45.0
Total Liabilities	5,080,081	87.1	4,966,411	85.7
Parent Company Equity	754,449	12.9	829,533	14.3
Non-controlling Interest	722	0.0	691	0.0
Total Equity	755,171	12.9	830,224	14.3
Total Liabilities and Equity	5,835,252	100.0	5,796,635	100.0

Financial Structure and Profitability Ratios

LIQUIDITY RATIOS	March 2014	December 2013
Current Ratio	0.84	0.84

FINANCIAL STRUCTURE RATIOS	March 2014	December 2013
Financial Leverage (Total Liabilities / Total Liabilities and Equity)	0.87	0.86
Total Liabilities / Equity	6.73	5.98
Financial Liabilities / Total Assets	0.52	0.51
Net Cash Position (Thousand TL)	-1,931,073	-1,887,060

PROFITABILITY RATIOS (%)	Jan. 1 – Mar. 31, 2014	Jan. 1 – Mar. 31, 2013
Gross Profit Margin	26.9	26.5
Operating Profit Margin	2.7	2.8
EBITDA Margin	6.5	6.6
EBITDAR Margin	11.7	11.5
Net Profit / Loss Margin	-3.5	2.2

SHARE PERFORMANCE RATIOS	March 2014	December 2013
Market Cap (Thousand TL)	3,115,525	2,848,480
Share Price (TL)	17.50	16.00
Earnings Per Share (EPS) (Kr)	-0.34	-2.60

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 1,017 stores in total at the end of March 31, 2014, of these 150 Migros Jet, 299 M, 207 MM, 75 MMM Migros supermarkets, 21 5M hypermarkets, 123 Mini, 54 Midi, 22 Maxi Tansaş supermarkets and 26 Macrocenter stores in seven geographical regions throughout Turkey, as well as 26 Ramstores in Kazakhstan and 14 Ramstores in Macedonia operated through its subsidiaries abroad.

During January 01 – March 31, 2014, Migros Ticaret A.Ş. opened 16 supermarkets and 1 Ramstore.

13 Migros stores			
<u>M (3 stores)</u>	<u>MM (4 stores)</u>	<u>MMM (1 store)</u>	<u>Migros Jet (5 stores)</u>
Istanbul (1) Kırklareli (1) Malatya (1)	Istanbul (1) Bursa (1) Antalya (1) Kocaeli (1)	Istanbul (1)	Istanbul (1) Samsun (2) Kırıkkale (1) Eskişehir (1)

3 Macrocenter stores
Istanbul (2) Ankara (1)

1 Ramstore
Kazakistan (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 11 of the Interim Consolidated Financial Statements for the Period January 01 – March 31, 2014 of the Company.