

MiGROS



Migros Ticaret A.Ş.

01.01.2013 – 30.09.2013

Interim Activity Report

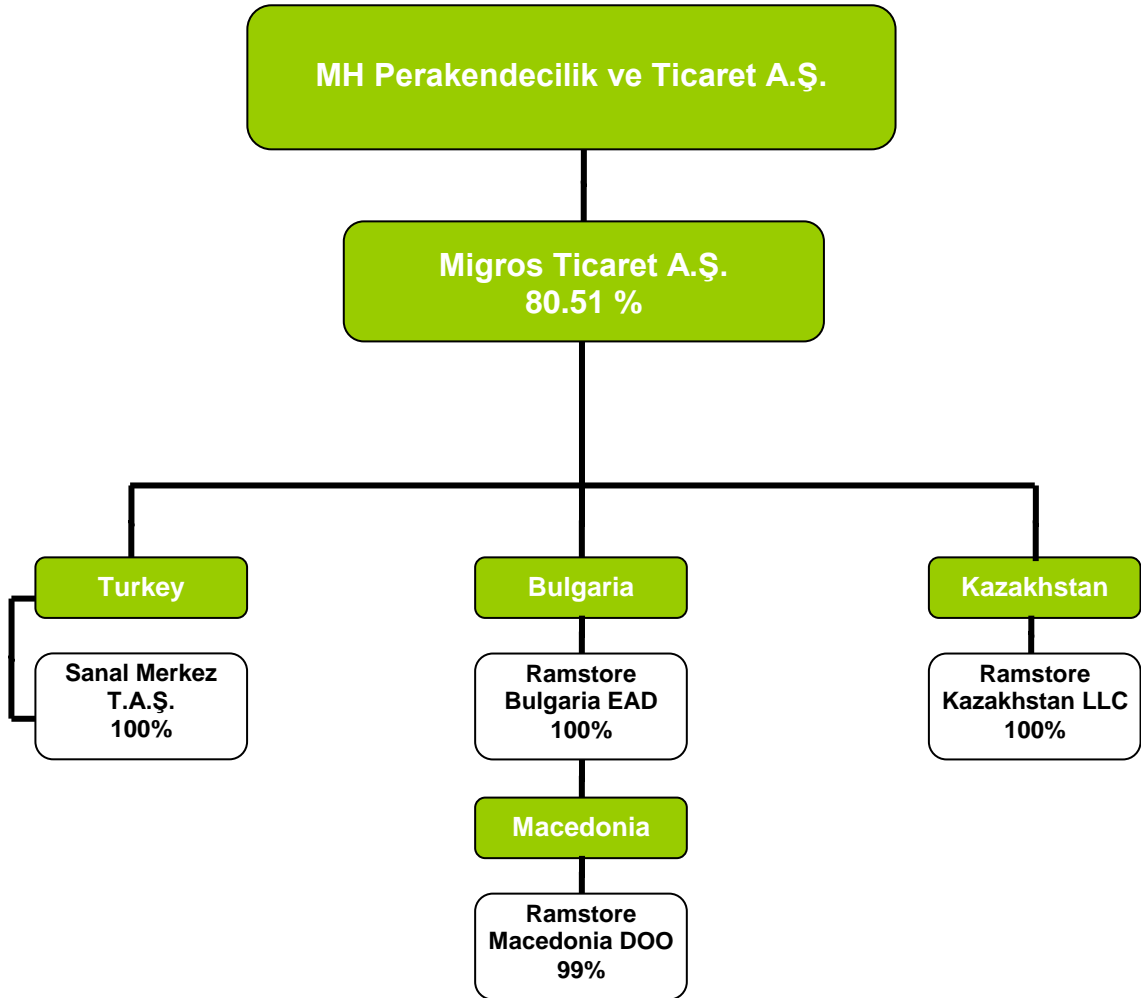
CORPORATE PROFILE

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 September 30, 2013



INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) grew by 4.4% in the second quarter of 2013 in real terms. Food, beverage and tobacco spend increased by 3.2% in the same period. On the other hand, the final consumption expenditures of resident and non-resident households on the economic territory improved 5.2% in real terms in comparison to the second quarter of last year. The consumer confidence index, which was 73.6 by the end of 2012, reached 76.2 whereas it decreased /dropped back to 72.1 as of September 2013.

The CPI, which was 6.16% in 2012, grew by 7.88% in September 2013 in comparison to the same period of last year.

According to the Trade Council of Shopping Centers and Retailers (TCSCR), grocery retail revenue increase was 6% versus 30% increase in non-food retail in August 2013.

SECTION 1: CORPORATE INFORMATION

Board of Directors

Board Members and Auditors of our Company are shown below.

Board of Directors

Fevzi Bülent Özyadınlı	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

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

According to 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. A salary or annual remuneration assessed by the General Assembly is paid to each auditor.

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.

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 September 30, 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 – September 30, 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.

Aforementioned amendments in the Articles of Association have been submitted for the approval of Capital Markets Board. 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 – Sept. 30, 2013	January 1 – Sept. 30, 2012
Domestic sales	5,159,189	4,685,104
Foreign sales	294,913	283,868
	5,454,102	4,968,972
Other sales	9,488	6,390
	5,463,590	4,975,362
Less: Discounts and returns	(151,658)	(142,711)
Sales revenue – net	5,311,932	4,832,651

The Financial Ratios

The financial resources and the risk management policies

Loans

As from September 30, 2013 the outstanding loans of the Company stands at TL 2,776,469 thousand, out of which TL 266,754 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 23, titled Exchange Rate Risk and Foreign Currency Position, of Condensed Interim Consolidated Financial Statements for the Interim Period 1 January – 30 September 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 '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)	Jan. 01 – Sept. 30, 2013	%	Jan. 01 – Sept. 30, 2012	%
Net Sales	5,311,932	100.0	4,832,651	100.0
Cost of sales (-)	-3,911,286	-73.6	-3,566,141	-73.8
Gross Profit	1,400,646	26.4	1,266,510	26.2
Operating Expenses	-1,191,934	-22.4	-1,060,422	-21.9
Other Operating Income / (Expense)	-37,784	-0.7	-60,448	-1.3
Operating Profit	170,928	3.2	145,640	3.0
Income / (Expense) from investment activities	-4,764	-0.1	-2,334	-0.0
Operating Income Before Finance Income / (Expense)	166,164	3.1	143,306	3.0
Financial Income / (Expense)	-421,601	-7.9	-3,993	-0.1
Income/Loss Before Tax	-255,437	-4.8	139,313	2.9
Tax Income / (Expenses)	-48,766	-0.9	-23,700	-0.5
Deferred Tax Income	-2,338	-0.0	1,483	-0.0
Net Profit / Loss	-306,541	-5.8	117,096	2.4
<i>Income For The Period-Non-controlling Interest</i>	<i>43</i>	<i>0.0</i>	<i>57</i>	<i>0.0</i>
<i>Income For The Period-Parent Company Shares</i>	<i>-306,584</i>	<i>-5.8</i>	<i>117,039</i>	<i>2.4</i>

EBITDA	342,110	6.4	319,933	6.6
EBITDAR	596,065	11.2	546,087	11.3

Migros IFRS Consolidated Balance Sheet Summary (Thousand TL)	September 2013	%	December 2012	%
Current Assets	2,156,218	36.3	1,908,550	33.9
Non-current Assets	3,777,004	63.7	3,715,795	66.1
Total Assets	5,933,222	100.0	5,624,345	100.0
Current Liabilities	2,288,493	38.6	1,875,140	33.3
Non-current Liabilities	2,669,255	45.0	2,487,129	44.2
Total Liabilities	4,957,748	83.6	4,362,269	77.6
Parent Company Equity	974,812	16.4	1,261,554	22.4
Non-controlling Interest	662	0.0	522	0.0
Total Equity	975,474	16.4	1,262,076	22.4
Total Liabilities and Equity	5,933,222	100.0	5,624,345	100.0

Financial Structure and Profitability Ratios

LIQUIDITY RATIOS	September 2013	December 2012
Current Ratio	0.94	1.02

FINANCIAL STRUCTURE RATIOS	September 2013	December 2012
Financial Leverage (Total Liabilities / Total Liabilities and Equity)	0.84	0.78
Total Liabilities / Equity	5.08	3.46
Financial Liabilities / Total Assets	0.47	0.44
Net Cash Position (Thousand TL)	-1,561,117	-1,447,205

PROFITABILITY RATIOS (%)	Jan. 1 – Sept. 30 2013	Jan. 1 – Sept. 30 2012
Gross Profit Margin	26.4	26.2
EBITDA Margin	6.4	6.6
EBITDAR Margin	11.2	11.3
Operating Profit Margin	3.2	3.0
Net Profit / Loss Margin	-5.8	2.4

SHARE PERFORMANCE RATIOS	September 2013	December 2012
Market Cap (Thousand TL)	3,017,609	3,827,645
Share Price (TL)	16.95	21.50
Earnings Per Share (EPS) (Kr)	-1.72	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 995 stores in total at the end of September 30, 2013, of these 141 Migrosjet, 302 M, 201 MM, 70 MMM Migros supermarkets, 20 5M hypermarkets, 126 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 11 Ramstores in Macedonia operated through its subsidiaries abroad.

During January 01 – September 30, 2013, Migros Ticaret A.Ş. opened 135 supermarkets, 2 hypermarkets and 5 Ramstores.

117 Migros stores			
<u>M (37stores)</u>	<u>MM (13 stores)</u>	<u>MMM (4 stores)</u>	<u>Migrosjet (63 stores)</u>
Bursa (1) Edirne (1) Zonguldak (1) Amasya (1) Kocaeli (2) Düzce (1) Samsun (2) Mersin (1) Afyon (2) Eskişehir (2) İzmir (5) Bolu (1) Aydın (1) Diyarbakır (1) Artvin (1) Antalya (4) Muğla (4) İstanbul (1) Balıkesir (1) Şanlıurfa (1) Tekirdağ (1) Isparta (1) Ankara (1)	Antalya (1) İstanbul (3) İzmir (1) Ordu (2) Siirt (1) Tekirdağ (1) Denizli (1) Bilecik (1) Manisa (1) Adana (1)	İstanbul (3) Antalya (1)	Antalya (6) Balıkesir (3) Bursa (2) İstanbul (23) Kocaeli (3) Muğla (7) Yalova (2) Sakarya (4) Tekirdağ (1) Kırklareli (2) Ankara (1) Konya (1) İzmir (1) Aydın (3) Mersin (2) Adana (1) Samsun (1)

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

3 Macrocenter stores
İstanbul (1) Muğla (2)

2 5M Hypermarket stores
Samsun (1) Kahramanmaraş (1)

5 Ramstores
Makedonya (4) 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 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.

Corporate Governance Committee

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 Determination and Implementation of Corporate Governance Principles” of Capital Markets Board (“CMB”) (Serial: IV, No: 56), 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 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.