

MiGROS



Migros Ticaret A.Ş.

01.01.2015 – 31.12.2015

Activity Report



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS' ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH**

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

Auditor's Report on the Board of Directors' Annual Report

1. We have audited the annual report of Migros Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the period ended 31 December 2015.

Board of Directors' responsibility for the Annual Report

2. The Group's management is responsible for the fair preparation of the annual report and its consistency with the consolidated financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and for such internal control as management determines is necessary to enable the preparation of the annual report.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on the Group's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Group's consolidated financial statements that are subject to independent auditor's report dated 1 March 2016 and presented fairly.

Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the consolidated financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit are sufficient and appropriate to provide a basis for our opinion.



Opinion

4. Based on our opinion, the financial information in the annual report of Board of Directors of Migros Ticaret A.Ş. is consistent with the audited consolidated financial statements and presented fairly, in all material respects.

Other Responsibilities Arising From Regulatory Requirements

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Migros Ticaret A.Ş. to continue its operations for the foreseeable future.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Burak Özpooyraz", is written over a light blue horizontal line.

Burak Özpooyraz, SMMM
Partner

Istanbul, 1 March 2016

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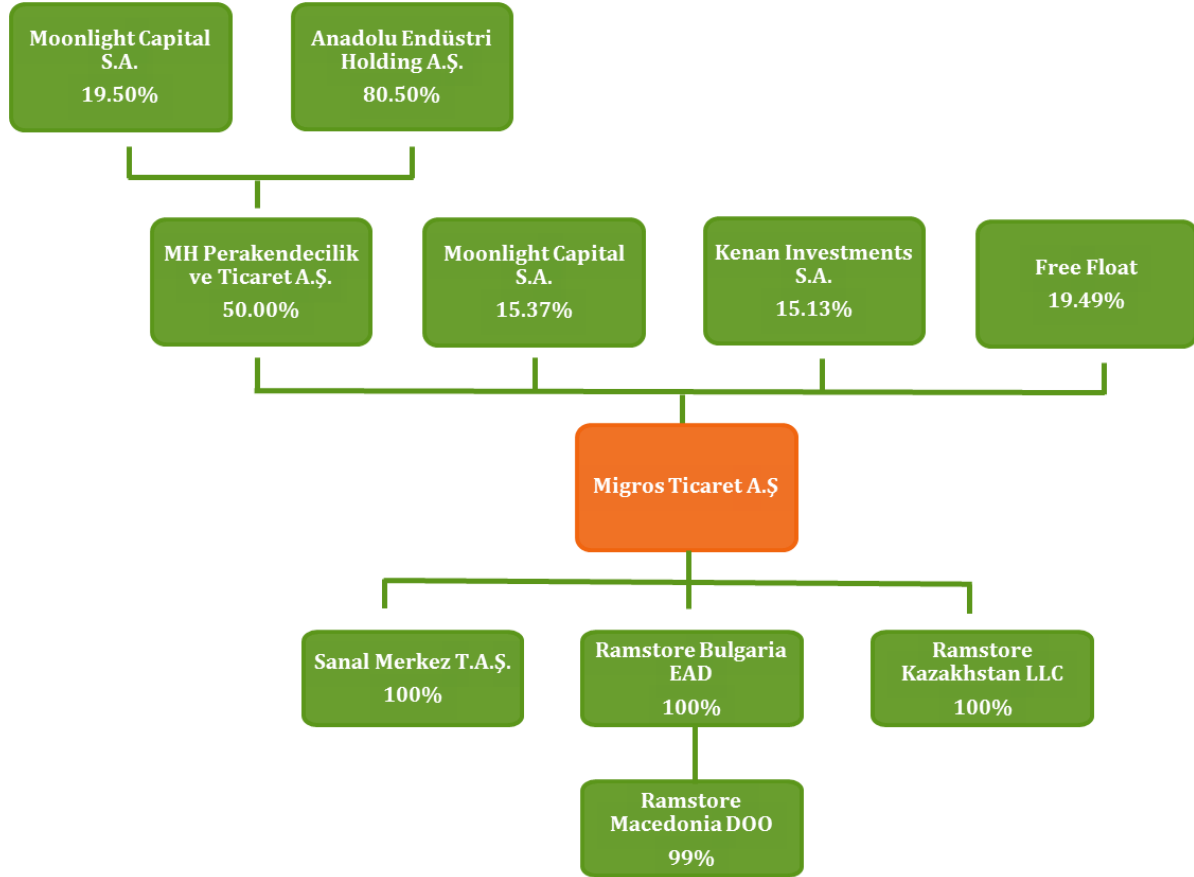
CORPORATE PROFILE

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	: Borsa İstanbul
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 Today



On July 15, 2015, Anadolu Endüstri Holding A.Ş. acquired 80.5% shares of MH Perakendecilik ve Ticaret A.Ş. that holds 50% of Migros Ticaret A.Ş. shares.

With this transaction, the total shares directly and indirectly held by Moonlight Capital S.A. in the capital of our Company decreased to 40.25% and the shares indirectly held by Anadolu Endüstri Holding A.Ş. in our Company reached 40.25%.

On January 27, 2016, Moonlight Capital S.A. ("Moonlight"), one of the shareholders of our Company, transferred the shares, with all rights, obligations and encumbrances, it holds in our Company with a total nominal value of TL 26,937,336 to Kenan Investments S.A. which owns all of the shares of Moonlight for a price of TL 26.00 per share within the scope of intragroup share transfer.

With this transaction, the shares held by Moonlight in the capital of our Company represent 15.37%, the shares held by Kenan Investments S.A. in the capital of our Company reached to 15.13%.

Kenan Investments S.A. is a company located in Luxembourg and is the sole owner of Moonlight Capital S.A.

INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) grew by 3.4% in the first 9 months of 2015 in real terms. Food, beverage and tobacco spend remained more or less the same in real terms during the same period. In the first 9 months of 2015, the consumption expenditure of households rose by 3.6% at constant prices and 10.9% at current prices with respect to the first 9 months of 2014.

The CPI, which was 8.17% in 2014, rose to 8.81% in 2015. The prices of food and non-alcoholic beverages grew by 10.87% in comparison to last year. According to the latest Medium Term Program of the Government and to the Central Bank of Turkey (CBT), the annual CPI is expected to be 7.5% in 2016.

SECTION 1: CORPORATE INFORMATION

Board of Directors

The Board of Directors of Migros Ticaret A.Ş. consists of 12 members, of which four are independent board members. All the board members are non-executives. The current Board Members of our Company are shown below.

Board of Directors

Fevzi Bülent Özaydınlı	Chairman
Tuncay Özilhan	Vice Chairman
Nikolaos Stathopoulos	Vice Chairman
Stefano Ferraresi	Board Member
Khalid Hilal Hamood Al Yahmadi	Board Member
Mehmet Hurşit Zorlu	Board Member
Salih Metin Ecevit	Board Member
Can Çaka	Board Member
Jacob Cornelio Adriano de Jonge	Independent Board Member
Tayfun Bayazıt	Independent Board Member
Hakkı Hasan Yılmaz	Independent Board Member
Aziz Bulgu	Independent Board Member

Information on external positions held by Board members and Independent Board Members' Affidavit is provided at the Company corporate website at www.migroskurumsal.com. 30 Board resolutions were taken throughout the year of 2015.

As announced in our public disclosure on July 15 2015, Board members; namely Giovanni Maria Cavallini, Marco Castelli, Ömer Özgür Tort and Evren Rıfki Ünver had resigned from their duties and Tuncay Özilhan, Mehmet Hurşit Zorlu, Salih Metin Ecevit and Can Çaka were appointed as new Board members in order to perform their duties until the first general assembly meeting pursuant to the article 363 of the Turkish Commercial Code.

Committees of Board of Directors

In accordance with the Board of Directors resolution dated July 15, 2015, it was resolved that, within the scope of the Communiqué on Corporate Governance (II-17.1) of the Capital Markets Board ("CMB"), the Corporate Governance Committee shall be responsible for the duties of the Nomination Committee and Remuneration Committees and that the committees of our Company shall comprise of the following members as of the date of July 15, 2015.

Audit Committee:

Hakkı Hasan Yılmaz	President	Non-executive
Jacob Cornelio Adriano de Jonge	Member	Non-executive

Corporate Governance Committee:

Jacob Cornelio Adriano de Jonge	President	Non-executive
Nikolaos Stathopoulos	Member	Non-executive
Mehmet Hurşit Zorlu	Member	Non-executive
Can Çaka	Member	Non-executive

Early Recognition of Risk Committee:

Tayfun Bayazit	President	Non-executive
Jacob Cornelio Adriano de Jonge	Member	Non-executive
Salih Metin Ecevit	Member	Non-executive
Mehmet Hurşit Zorlu	Member	Non-executive
Erkin Yılmaz	Member	CFO

Authorities, Duties and Term of Office 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. The Board of Directors of the Company were appointed as Board members for 3 years at the 2014 Ordinary General Assembly Meeting dated April 09, 2015.

The Board members, who were appointed as members as per the Board resolution dated July 15, 2015, will perform their duties until the first general assembly meeting pursuant to the article 363 of the Turkish Commercial Code.

Senior Management

Ömer Özgür Tort	CEO
Ahmet Fuat Yanar	Chief Operations Officer
Erkin Yılmaz	CFO
Demir Aytaç	CHRO (Chief Human Resources Officer)
Cem Lütfi Rodoslu	CMO (Chief Marketing Officer)
Hakan Şevki Tuncer	CPO (Chief Expansion&Property Officer)
Tarık Karlıdağ	CCO (Chief Construction Officer)
Mustafa Murat Bartın	CASO (Chief Alternative Sales Channels Officer)

Senior management compensation

The Company has determined senior management personnel as chairman, members of Board of Directors, general manager and vice general managers.

Total compensation provided to key management personnel by the Company for the period ended 31 December 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Short term benefits (thousand TL)	14,284	12,445

Key management compensation paid or payable consists of benefits, salaries, premiums, individual pension premiums, vehicle rents and SSI and employer shares.

Number of Employees

As of 31 December 2015, the Company employs an average of 20,707 persons including its foreign subsidiaries.

Subsidiaries

The Company has the following subsidiaries. The nature of the business of the Subsidiaries and for the purpose of the consolidated financial statements, their respective geographical segments are as follows:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Geographical segment</u>	<u>Nature of business</u>	<u>2015 (%)</u>	<u>2014 (%)</u>
Ramstore Bulgaria E.A.D.	Bulgaria	Bulgaria	Dormant	100.0	100.0
Ramstore Kazakhstan LLC	Kazakhstan	Kazakhstan	Retailing	100.0	100.0
Ramstore Macedonia DOO	Macedonia	Bulgaria	Retailing	99.0	99.0
Sanal Merkez Ticaret A.Ş. (*)	Turkey	Turkey	Dormant	100.0	100.0

(*) Not included in the scope of consolidation on the grounds of materiality.

The shareholding structure of Migros Ticaret A.Ş.

As stated in the Company's Articles of Association, there are no privileges in voting rights. All votes are equal. Shareholders may exercise their voting rights during the General Assembly pro rata the total nominal value of their shares. There are no shareholders with whom there is a cross-shareholder relationship. The groups specified in the Articles of Association do not hold any privileged rights to be represented on the Board of Directors and/or any other similar special rights. The Company doesn't hold its own Company shares.

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, 2015;

Migros Ticaret A.Ş.		
Shareholder	Share (%)	Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	50.00	89,015,000
Moonlight Capital S.A.	30.51	54,308,336
Other	19.49	34,706,664
Total	100.00	178,030,000

As announced in our public disclosure on July 15, 2015, shares that represent the %80.5 of the share capital of MH Perakendecilik ve Ticaret A.Ş. holding %50 of Migros Ticaret A.Ş. shares were sold to Anadolu Endüstri Holding A.Ş. by Moonlight Capital S.A.

With this transaction, the total shares directly and indirectly held by Moonlight Capital S.A. in the capital of our Company decreased to 40.25% and the shares indirectly held by Anadolu Endüstri Holding A.Ş. in our Company reached 40.25%.

AEH paid a total amount of TL 1,061,957,852 and Euro 297,041,599 to Moonlight Capital S.A. for 80.50% of MH Perakendecilik ve T.A.Ş. shares, corresponding to 40.25% of Migros shares.

The aforementioned transaction value indirectly corresponds to TL 26.86 per Migros share with nominal value of TL 1, with the Euro / TL indicative buying exchange rate announced at 15:30 on July 14, 2015 by the Central Bank of Turkey.

In addition, with regards to 19.5% share of Moonlight Capital in MH Perakendecilik, BC Partners retains a "put option" and AEH retains a "call option" to be exercised after 24 months period following the transfer of the shares, up to 30 months from the date of the transfer.

As announced in our public disclosure on January 27, 2016, Moonlight Capital S.A. ("Moonlight"), one of the shareholders of our Company, notified our Company that it has transferred the shares, with all rights, obligations and encumbrances, it holds in our Company with a total nominal value of TL 26,937,336 to Kenan Investments S.A. which owns all of the shares of Moonlight for a price of TL 26.00 per share within the scope of intragroup share transfer. With this transaction, the shares held by Moonlight in the capital of our Company represent 15.37%, the shares held by Kenan Investments S.A. in the capital of our Company have exceeded 15% limit and reached to 15.13%.

The current shareholder structure is as follows;

Migros Ticaret A.Ş.		
Shareholder	Share (%)	Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	50,00	89.015.000
Moonlight Capital S.A.	15,37	27.371.000
Kenan Investments S.A.	15,13	26.937.336
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, 2015.

Information on General Assembly Meeting

General Assembly Meeting

Meeting Minutes and List of Attendees pertaining to 2014 Ordinary General Assembly Meeting of our Company dated April 09, 2015 were disclosed in our corporate web site (www.migroskurumsal.com). In the Ordinary General Assembly Meeting, the statutory and the consolidated financial statements dated 31.12.2014, which was prepared in accordance with IFRS 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 was resolved to authorize "Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.'nin (a member of PricewaterhouseCoopers)", which was recommended by the Audit Committee and selected by the Board of Directors for the year 2015, to act as the independent external auditor of the Company.

Amendments in the Articles of Association

In the material event disclosure dated January 29, 2015, the Board resolution regarding the amendment of the Articles of Association was disclosed to the public. The amendment of the Articles of Association was finalized in line with the opinion and suggestions of the Capital Markets Board ("CMB") to the aforementioned amendment. On February 26, 2015, the Board of Directors resolved to approve the proposed amendments to the current content of;

- Article 16 titled "Board of Directors",
- Article 17 titled "Term of Office and Duties of the Board of Directors" and
- Article 19 titled "Meeting and Resolution Quorum of the Board of Directors"

As mentioned in the material event disclosures dated February 27, 2015 and March 04, 2015, the necessary permissions in respect of the Proposed Amendments were obtained from the CMB and the Republic of Turkey Ministry of Customs and Trade and the amendment of the Articles of Association were approved at the Ordinary General Assembly Meeting dated April 09, 2015. The minutes of the General Assembly Meeting and the amendment of the Articles of Association were registered officially on April 16, 2015.

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

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 2014 Ordinary General Assembly Meeting dated April 09, 2015, "Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers)" was elected as auditor for 2015 fiscal year.

The Dividend Policy of Migros

As it was submitted to shareholders at the Ordinary General Assembly Meeting on April 09, 2015;

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.

SECTION 2: FINANCIAL INFORMATION

Sales

(thousand TL)

	Jan. 1 – Dec. 31, 2015	January 1 – Dec. 31, 2014
Domestic sales	9,210,030	7,898,055
Foreign sales	425,650	437,035
	9,635,680	8,335,090
Other sales	15,648	13,752
	9,651,328	8,348,842
Less: Discounts and returns	(261,499)	(226,175)
Sales revenue – net	9,389,829	8,122,667

The Financial Ratios

The financial resources and the risk management policies

Loans

As of December 31, 2015, the outstanding loans of the Company stand at TL 2,593,146 thousand.

Concerning the refinancing the Company's current debt of EUR 830 million;

An agreement has been signed between Migros Ticaret A.Ş. and Türkiye Garanti Bankası A.Ş., Türkiye İş Bankası A.Ş., Akbank T.A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. and Commercial Bank of Qatar (Q.S.C) for EUR 730 million and EUR 100 million equivalent of TL with a maturity of 8 years and semi-annual interest payment and amortization. Furthermore, an additional EUR 100 million facility is provided to the Company valid for 8 years for any potential working capital requirements in the future. Migros shares owned by MH Perakendecilik ve T.A.Ş. and Moonlight Capital S.A. were pledged in favor of the creditor banks.

The redemption schedule of principal amounts of bank borrowings at 31 December 2015:

(TL Thousands)	Euro Loan TRL equivalent	TRL Loan	Total TRL equivalent	Percentage (%)
1 January 2016 - 31 December 2016	60,423	7,419	67,842	2.6%
1 January 2017 - 31 December 2017	114,634	14,168	128,802	5.0%
1 January 2018 - 31 December 2018	196,494	24,285	220,779	8.5%
1 January 2019 - 31 December 2019	300,183	37,100	337,283	13.0%
1 January 2020 - 31 December 2020	368,404	45,532	413,936	16.0%
1 January 2021 - 31 December 2021	436,648	53,967	490,615	18.9%
1 January 2022 - 31 December 2022	518,508	64,084	582,592	22.5%
1 January 2023 - 26 May 2023	313,824	38,786	352,610	13.6%
	2,309,118	285,341	2,594,459	100%

Risk Management and Internal Control Mechanism

In 2015, the Company undertook a new project aimed at reassessing its Corporate Risk Management efforts from a holistic point of view and restructuring the corporate risk processes. Within this context, the Company began obtaining consultancy services from Marsh Sigorta ve Reasürans Brokerliği (*Marsh Insurance and Reinsurance Brokerage*) in order to assess the existing situation in terms of risk management and to manage risk more effectively.

The Corporate Risk Management restructuring process includes the main headings of:

- Defining risk criteria,
- Establishing risk assessment scales (effect and probability),
- Preparing a consolidated risk inventory,
- Development of the action plans required to reduce and/or eliminate such risks,
- Defining the risk management framework that is being targeted, and
- Integrating the determination into the Corporate Risk Management system.

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. Detailed information has been provided at Note 30, titled Exchange Rate Risk and Foreign Currency Position, of Consolidated Financial Statements as of 31 December 2015 of the Company.

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

The Early Recognition of Risk Committee, which convenes 6 times a year, coordinates to take precaution against predictable risks that the company might face as a result of its financial structure and reports regularly to the Board of Directors about its practices. As mentioned above, the maturity of the Company's current Euro debt is extended via refinancing and some portion of the debt is converted to Turkish Lira. Thus, the currency risk is limited. Reducing the Company's financial indebtedness is one of the priorities of the senior management.

Risks pertaining to the overall economy such as the increase in unemployment can be listed among the non-financial risks.

The Internal Audit Department conducts its activities in the financial and operational audits it carries out in accordance with the below principles:

- Effective and economical use of the Company's assets,
- Effectiveness of the internal control mechanisms over operations and activities,
- Reliability of the financial statements,
- Verification of the Company's assets
- Productivity and effectiveness of operations,
- Compliance with procedural documents and administrative instructions that have been approved by the Company's management.

Examining/researching to what degree activities and transactions containing a pre-identified and reported element of risk have been eliminated or brought under control within the framework of suggestions deemed appropriate by the management, and follow up audits in circumstances requiring detailed research and examination are among the fundamental activities of the internal audit department.

Irregular activities discovered during various audit efforts are researched in detail in order to ensure that the necessary precautions can be taken and suggestions are made on how to address the Company loss that has been identified. One of the main focuses of these efforts is the changes that must be implemented in the process to ensure that there is no repeat of similar circumstances.

Within this context, in line with the 2015 risk analysis conducted and annual internal audit plan, the Internal Audit Department has conducted financial and operational audits encompassing various departments and processes. The assessments and suggestions generated at the end of the audits were presented to the Company's senior management together with the audit reports that had been prepared and the points of improvement were highlighted under the philosophy of continual development. In addition to the financial and operational audits conducted by the Internal Audit Department, the Internal Audit Department also completed control inspections of issues that had been identified earlier, reported to the senior management and regarding which an agreement had been reached as to the precautions that would be taken.

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

No capital market instruments were issued during the period of 01 January – 31 December 2015.

Financial Statements

Migros - IFRS Consolidated Income Statement Summary (Thousand TL)	1 Jan. – 30 Dec. 2015	%	1 Jan. – 30 Dec. 2014 (Restated)	%
Net Sales	9,389,829	100.0	8,122,667	100.0
Cost of sales (-)	-6,864,180	-73.1	-5,959,276	-73.4
Gross Profit	2,525,649	26.9	2,163,391	26.6
Operating Expenses	-2,154,298	-22.9	-1,838,282	-22.6
Other Operating Income / (Expense)	-107,719	-1.1	-92,739	-1.1
Operating Profit	263,632	2.8	232,370	2.9
Income / (Expense) from investment activities	-210,136	-2.2	-1,764	0.0
Operating Income Before Finance Income / (Expense)	53,496	0.6	230,606	2.8
Financial Income / (Expense)	-399,480	-4.3	-49,501	-0.6
Income/Loss Before Tax	-345,984	-3.7	181,105	2.2
Tax Income / (Expenses)	-67,339	-0.7	-85,278	-1.0
Deferred Tax Income	42,870	0.5	364	0.0
Net Profit / Loss	-370,453	-3.9	96,191	1.2
<i>Income For The Period-Non-controlling Interest</i>	11	0.0	-7	0.0
<i>Income For The Period-Parent Company Shares</i>	-370,464	-3.9	96,198	1.2

EBITDA	602,136	6.4	529,112	6.5
EBITDAR	1,082,414	11.5	931,182	11.5

Migros IFRS Consolidated Balance Sheet Summary (Thousand TL)	December 2015	%	December 2014 (Restated)	%
Current Assets	2,035,523	35.3	1,723,289	30.9
Non-current Assets	3,725,194	64.7	3,857,298	69.1
Total Assets	5,760,717	100.0	5,580,587	100.0
Current Liabilities	2,725,671	47.3	2,779,768	49.8
Non-current Liabilities	2,519,060	43.7	1,891,980	33.9
Total Liabilities	5,244,731	91.0	4,671,748	83.7
Parent Company Equity	515,342	8.9	908,285	16.3
Non-controlling Interest	644	0.0	554	0.0
Total Equity	515,986	9.0	908,839	16.3
Total Liabilities and Equity	5,760,717	100.0	5,580,587	100.0

Financial Structure and Profitability Ratios

LIQUIDITY RATIOS	December 2015	December 2014
Current Ratio	0.75	0.62

FINANCIAL STRUCTURE RATIOS	December 2015	December 2014
Financial Leverage (Total Liabilities / Total Liabilities & Equity)	0.91	0.84
Total Liabilities / Equity	10.16	5.14
Financial Liabilities / Total Assets	0.45	0.42
Net Cash Position (Thousand TL)	-1,760,471	-1,673,452

PROFITABILITY RATIOS (%)	Jan. 1 – Dec. 31, 2015	Jan. 1 – Dec. 31, 2014
Gross Profit Margin	26.9%	26.6%
Operating Profit Margin	2.8%	2.9%
EBITDA Margin	6.4%	6.5%
EBITDAR Margin	11.5%	11.5%
Net Profit / Loss Margin	-3.9%	1.2%

SHARE PERFORMANCE RATIOS	December 2015	December 2014
Market Cap (Thousand TL)	3,106,624	4,050,183
Share Price (TL)	17.45	22.75
Earnings Per Share (EPS) (Kr)	-2.08	0.54

Financial Evaluation

In 2015, Micros achieved a consolidated sales growth of 15.6%. The Company's 2015 sales reached TL 9,390 million. The Company's domestic sales growth reached 16.6% in 2015, while it had been 10.2% in 2013.

In 2015, consolidated gross profit increased by 16.7% to reach TL 2,526 million. Despite intensified competition in the sector, Migros maintained its gross profitability, generated strong sales growth and strong negative working capital.

EBITDA (Earnings Before Interest, Depreciation, Tax, and Amortization) increased 13.8% to reach TL 602 million in 2015, the EBITDA margin of 6.4% (6.5% in 2014) was within the 6.0-6.5% range targeted by the Company for the entire year. EBITDA before rent expenses increased by 16.2% in 2015 over a year ago, the margin of EBITDA before rent expenses was 11.5% (11.5% in 2014).

Finally, despite its successes on the operational side, Migros, which owes financial debt on a Euro basis, recorded financial expenses due to the depreciation of Euro currency against Turkish Lira. In addition, as a result of the Tansas stores being converted into the Migros format, the one-off impairment loss of TL 202,175 was taken into the accounts under investment expenses. Consequently, the Company has announced a net loss of TL 370 million for 2015. The Company's shareholders' equity was realized as TL 516 million as of 2015.

The Company has achieved its 2015 store opening target (guidance: 225+, realized: 257), sales growth and EBITDA. It has also realized an annual consolidated sales growth of 15.6% and an EBITDA margin of 6.4%. In 2016, Migros targets to open between 150 and 200 stores and double digits sales growth on a consolidated basis.

The Dividend Distribution

Within the Communiqué of Capital Markets Board (CMB) No. II-19.1 and in accordance with our articles of association and dividend distribution policies that were disclosed to public by our company, It was unanimously resolved to submit no dividend distribution to the approval of General Assembly for 2015 fiscal year as the company recorded net loss at the 2015 consolidated financial statements prepared in accordance with the Turkish Commercial Code and CMB legislation.

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.

During January 01 – December 31, 2015, Migros Ticaret A.Ş. opened 248 supermarkets and 1 hypermarket in Turkey and 8 Ramstores abroad and made TL 280,529 thousands capital expenditures. The fact that Migros offers fresh and high quality products to customers at affordable prices has ensured that customers are more likely to prefer the brand in the sector.

The Company operates a network of 1,410 stores in total at the end of December 31, 2015, of these 1,282 Migros, 23 5M, 22 Tansaş and 36 Macrocenter stores in seven geographical regions throughout Turkey, as well as 25 Ramstores and 2 Macrocenter in Kazakhstan and 20 Ramstores in Macedonia operated through its subsidiaries abroad.

Stores opened in Turkey;

237 Migros stores			
<u>M (56 stores)</u>	<u>MM (20 stores)</u>	<u>MMM (7 stores)</u>	<u>Migros Jet (154 stores)</u>
Adana (2)	Ankara(1)	Ankara (1)	Adana(3)
Ankara (5)	Antalya (1)	Çanakkale(1)	Ankara (3)
Antalya(3)	Bolu (1)	Diyarbakır(1)	Antalya (17)
Burdur (1)	Bursa (1)	İstanbul (2)	Aydın (7)
Bursa (4)	Denizli (1)	Kocaeli (1)	Balıkesir(5)
Çorum (1)	Edirne (1)	Konya(1)	Burdur (1)
Denizli(1)	Elazığ (1)		Bursa (12)
Diyarbakır (1)	Giresun(1)		Çanakkale(2)
Düzce (1)	İstanbul (6)		Denizli (1)
Elazığ(1)	İzmir (2)		Düzce(2)
Erzurum (1)	Mardin (1)		Edirne (1)
Eskişehir (3)	Muğla (1)		Erzurum(1)
Gaziantep(3)	Tekirdağ(1)		Eskişehir (1)
Hatay (2)	Van (1)		Hatay(3)
Isparta (2)			Isparta (2)
İstanbul(9)			İstanbul (47)
İzmir(4)			İzmir (14)
Kocaeli(1)			Kocaeli (6)
Konya (1)			Konya (1)
Malatya(1)			Mersin (5)
Mersin(2)			Muğla (6)
Muğla(3)			Ordu(1)
Muş (1)			Sakarya(3)
Osmaniye (1)			Samsun (2)
Şanlıurfa (2)			Tekirdağ (3)
			Uşak (1)
			Yalova (2)
			Zonguldak(2)

4 Tansaş stores	
<u>Mini (3 stores)</u>	<u>Maxi (1 store)</u>
İzmir (1)	Çanakkale (1)
Muğla (2)	

7 Macrocenter stores
Ankara (2)
İstanbul (1)
İzmir(3)
Muğla(1)

1 5M Hypermarket store
İstanbul (1)

Stores opened abroad;

8 Ramstores
Kazakhstan (3)
Macedonia (5)

Research and Development Activities

The Company's total R&D expenditures for 2015 is TL 10,654 thousand.

Migros Ticaret A.S., which was issued an R&D Center certificate from the Ministry of Science, Industry and Technology, has continued with its technical research and development activities in areas of business and software development in 2015.

New practices are being developed at the Migros R&D Center for creating new and/or improving existing processes pertaining to retail activities carried out by the Migros head office in the stores and distribution centres. Applications that mostly contain innovative solutions integrated with technological hardware and smart systems helped to improve our work processes related with customers and suppliers.

SECTION 4: CORPORATE GOVERNANCE

SAHA Corporate Governance and Credit Rating Services, Inc. ("SAHA"), rated our Company in 2015 in accordance with the Corporate Governance Principles issued by the Capital Markets Board.

The Corporate Governance Rating of our Company was disclosed as 9.46 (94.55%) as of December 30, 2015 by SAHA in their report made public.

In the aforementioned report, it was indicated that "the corporate governance rating of Migros is an outcome of the importance the Company gives to the corporate governance principles, its determination to dynamically and continuously improve such standards and practices".

The breakdown of the corporate governance rating of our Company by sub-categories is stated in the table below.

Sub Sections	Weight	Rating (%)
Shareholders	25%	95.44
Public Disclosure and Transparency	25%	97.39
Stakeholders	15%	99.48
Board of Directors	35%	89.78
Average	100%	94.55

As a result of our Corporate Governance Rating of 9.46 (94.55%), our Company was found eligible to participate in the Corporate Governance Index of Borsa Istanbul as of January 06, 2016.

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.

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.

As recently announced by Borsa Istanbul, Migros was found eligible to stay in BIST - Sustainability index, as the first and the only food retailer so far. The documents on sustainability efforts of the Company are posted on the Company corporate website under the Investor Relations page.

Information about various lawsuits filed against or in favour of the Group is provided in the Note 16 of the Consolidated Financial Statements as of 31 December 2015 of the Company. There are no administrative or judicial sanctions against the Company or members of the Board of Directors as a result of practices contrary to legislative provisions.

According to the agreement signed last year between our Company and Tez-Koop. Labor Union, the collective labor agreement covers the period of 01.05.2014 - 30.04.2017.

Donations and Assistance

According to the CMB's Communiqué on Dividends (II-19.1), the General Assembly must be notified and informed of all donations made during the year. Our Company has donated a total of TL 355,975.15 to associations and foundations.

The 2014 General Assembly had resolved that the upper limit to donations and assistance provided in 2015 would be TL 1,000,000.

The members of the board of directions have not carried out any transactions with the Company on their own behalf or on behalf of others within the framework of the permission granted by the General Assembly, nor are there any activities falling within the scope of the non-compete prohibition.

There have been no special audits or public audits within the fiscal period.

No event of any special importance has occurred at the Company after the end of the fiscal year that could affect the rights of shareholders, creditors or other concerned persons and institutions.