

# MiGROS



**Migros Ticaret A.Ş.**

**01.01.2015 – 31.03.2015**

**Interim Activity Report**

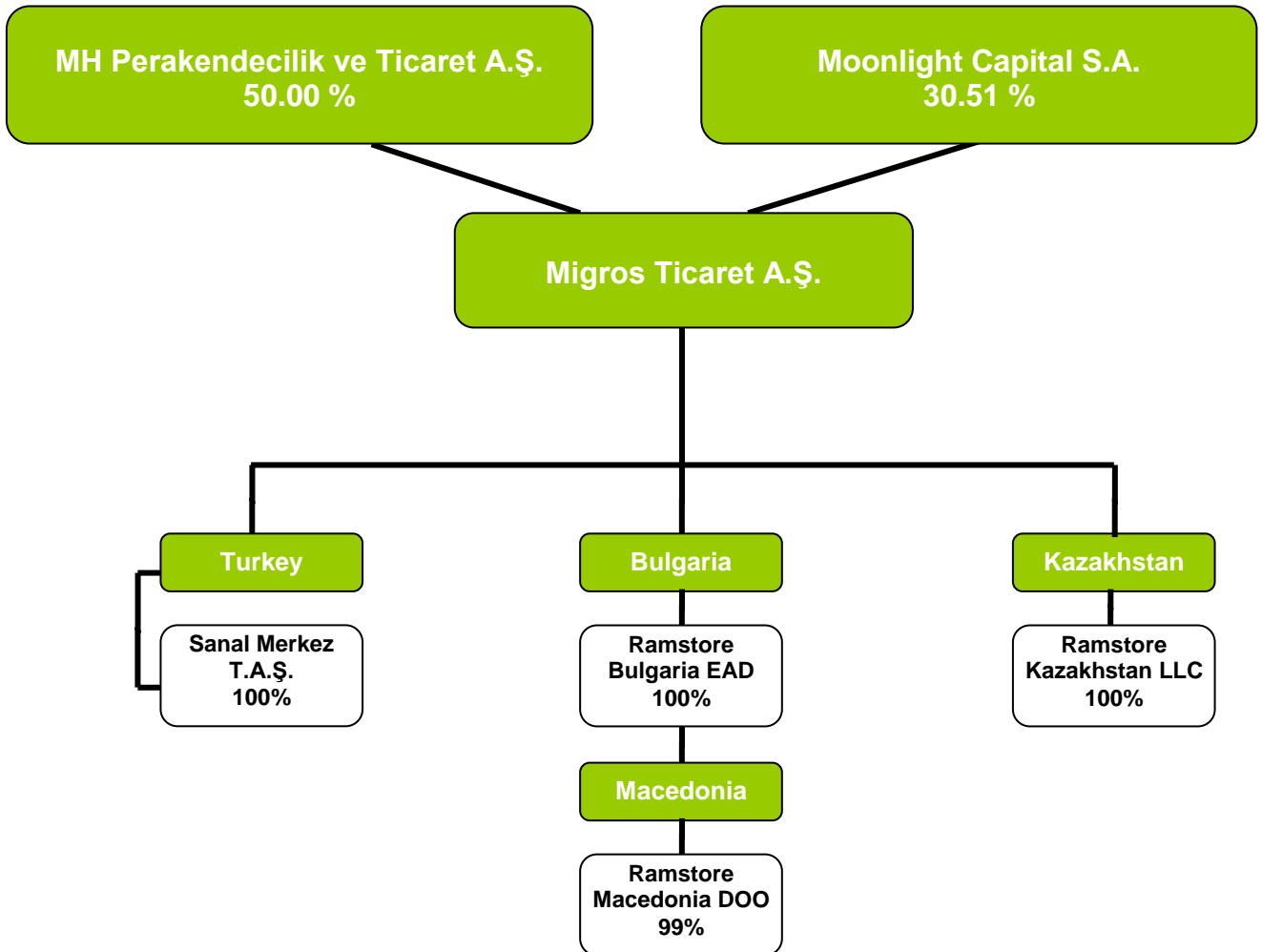
## CORPORATE PROFILE

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	: <a href="http://www.migroskurumsal.com">www.migroskurumsal.com</a>
E-mail	: <a href="mailto:malimigros@migros.com.tr">malimigros@migros.com.tr</a>
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 March 31, 2015



## INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) grew by 2.9% in 2014 in real terms. In 2014, the consumption expenditure of households rose by 1.7% at constant prices and 9.1% at current prices with respect to 2013.

The CPI, which was 8.17% in 2014, grew by 7.91% in April 2015 versus the same month of the previous year. According to the Inflation Report dated April 2015 of the Central Bank of Turkey (CBT), the annual CPI is expected to be 6.8% in 2015.

## SECTION 1: CORPORATE INFORMATION

### Board of Directors

The current Board Members of our Company are shown below.

### Board of Directors

Fevzi Bülent Özaydınlı	Chairman
Nikolaos Stathopoulos	Vice Chairman
Stefano Ferraresi	Board Member
Ömer Özgür Tort	Board Member / General Manager
Giovanni Maria Cavallini	Board Member
Marco Castelli	Board Member
Khalid Hilal Hamood Al Yahmadi	Board Member
Evren Rifki Ünver	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](http://www.migroskurumsal.com). 12 Board of Directors resolutions were taken in the first quarter of 2015.

In the first quarter of 2015, Fevzi Bülent Özaydınlı, Nikolaos Stathopoulos, Stefano Ferraresi, Ömer Özgür Tort, Giovanni Maria Cavallini, Glen Allen Osmond, Jacob Cornelio Adriano de Jonge, Tayfun Bayazıt and Hakkı Hasan Yılmaz served as Board members.

Tayfun Bayazıt and Hakkı Hasan Yılmaz served in the Audit Committee whereas Hakkı Hasan Yılmaz, Nikolaos Stathopoulos and Affan Nomak served in the Corporate Governance Committee and Jacob Cornelio Adriano de Jonge, Tayfun Bayazıt, Stefano Ferraresi and Erkin Yılmaz took in charge of the Early Recognition of Risk Committee in the first quarter of 2015.

### 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.

### 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 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, 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
<b>Total</b>	<b>100.00</b>	<b>178,030,000</b>

In order to indirectly acquire 40,25% shares of Migros Ticaret A.Ş., Anadolu Endüstri Holding A.Ş. ("AEH") made a non-binding offer to the main shareholder of Migros (BC Partners). On 31 December 2014, a share purchase agreement was signed between Moonlight Capital S.A (the sole owner of MH Perakendecilik) and AEH for the purpose of the indirect acquisition of 40,25% of the shares of Migros by AEH subject to obtaining required approvals from relevant official and regulatory authorities and other pre-conditions. Material developments regarding the process are publicly announced by material event disclosures.

## Information About the Most Recent Capital Increase

No increase was made in the capital during January 01 – March 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](http://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 Communique 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 July 26, 2015, the Board of Directors resolved to approve the proposed amendments to the current content of;

- Article 16 titled "Board of Directors"16.,
- 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](http://www.migroskurumsal.com)).

## **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.

## **The Dividend Distribution**

At the Ordinary General Assembly Meeting of our company held on April 09, 2015;

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, the Company recorded 98.506.629,20 TL net profit at the 2014 consolidated financial statements prepared in accordance with CMB legislation and Turkish Commercial Code. It was resolved to submit no dividend distribution to the approval of General Assembly for 2014 fiscal year and to retain net profit for the extraordinary legal reserved. Since the legal limit has been reached, the allocation of primary reserve is not required. Dividend distribution has not been proposed in order to provide a robust balance sheet structure and to manage the cash flow more efficiently for the upcoming years. The Company plans to use this profit to finance the working capital and capital expenditure requirements of the Company in the future.

## SECTION 2: FINANCIAL INFORMATION

### Sales

(thousand TL)

	Jan. 1 – Mar. 31, 2015	Jan. 1 – Mar. 31, 2014
Domestic sales	2,022,108	1,702,141
Foreign sales	105,191	116,236
	2,127,299	1,818,377
Other sales	6,312	3,856
	2,133,611	1,822,233
Less: Discounts and returns	(59,595)	(49,732)
<b>Sales revenue – net</b>	<b>2,074,016</b>	<b>1,772,501</b>

### The Financial Ratios

#### The financial resources and the risk management policies

##### Loans

As of March 31, 2015, the outstanding loans of the Company stands at TL 2,386,783 thousand, out of which TL 597,510 thousand, is due within the next 12 months.

Within the context of 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. will be pledged in favor of the creditor banks. In the footnote 25 'Subsequent Events' of the Condensed Consolidated Financial Statements, necessary explanations are provided on the matter.

##### 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 Consolidated Financial Statements for the Interim Period 1 January – 31 March 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 coordinates to take precaution against predictable risks that the company might face as a result of its financial structure. 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.

##### 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 Condensed 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

<b>Migros - IFRS Consolidated Income Statement Summary (Thousand TL)</b>	<b>Jan. 01 – Mar. 31, 2015</b>	<b>%</b>	<b>Jan. 01 – Mar. 31, 2014</b>	<b>%</b>
<b>Net Sales</b>	<b>2,074,016</b>	<b>100.0</b>	<b>1,772,501</b>	<b>100.0</b>
Cost of sales (-)	-1,514,370	-73.0	-1,295,237	-73.1
<b>Gross Profit</b>	<b>559,646</b>	<b>27.0</b>	<b>477,264</b>	<b>26.9</b>
Operating Expenses	-481,248	-23.2	-413,678	-23.3
Other Operating Income / (Expense)	-21,182	-1.0	-16,360	-0.9
<b>Operating Profit</b>	<b>57,216</b>	<b>2.8</b>	<b>47,226</b>	<b>2.7</b>
Income / (Expense) from investment activities	-2,432	-0.1	-738	0.0
<b>Operating Income Before Finance Income / (Expense)</b>	<b>54,784</b>	<b>2.6</b>	<b>46,488</b>	<b>2.6</b>
Financial Income / (Expense)	-37,646	-1.8	-94,618	-5.3
<b>Income/Loss Before Tax</b>	<b>17,138</b>	<b>0.8</b>	<b>-48,130</b>	<b>-2.7</b>
Tax Income / (Expenses)	-12,919	-0.6	-16,418	-0.9
Deferred Tax Income	3,665	0.2	3,324	0.2
<b>Net Profit / Loss</b>	<b>7,884</b>	<b>0.4</b>	<b>-61,224</b>	<b>-3.5</b>
<i>Income For The Period-Non-controlling Interest</i>	6	0.0	13	0.0
<i>Income For The Period-Parent Company Shares</i>	7,878	0.4	-61,237	-3.5

<b>EBITDA</b>	<b>133,716</b>	<b>6.4</b>	<b>115,232</b>	<b>6.5</b>
<b>EBITDAR</b>	<b>242,182</b>	<b>11.7</b>	<b>207,739</b>	<b>11.7</b>

<b>Migros IFRS Consolidated Balance Sheet Summary (Thousand TL)</b>	<b>March 2015</b>	<b>%</b>	<b>December 2014</b>	<b>%</b>
Current Assets	1,815,516	32.0	1,729,234	30.9
Non-current Assets	3,860,149	68.0	3,864,261	69.1
<b>Total Assets</b>	<b>5,675,665</b>	<b>100.0</b>	<b>5,593,495</b>	<b>100.0</b>
Current Liabilities	2,771,045	48.8	2,715,930	48.6
Non-current Liabilities	1,968,187	34.7	1,958,399	35.0
<b>Total Liabilities</b>	<b>4,739,232</b>	<b>83.5</b>	<b>4,674,329</b>	<b>83.6</b>
Parent Company Equity	935,864	16.5	918,612	16.4
Non-controlling Interest	569	0.0	554	0.0
<b>Total Equity</b>	<b>936,433</b>	<b>16.5</b>	<b>919,166</b>	<b>16.4</b>
<b>Total Liabilities and Equity</b>	<b>5,675,665</b>	<b>100.0</b>	<b>5,593,495</b>	<b>100.0</b>



## Financial Structure and Profitability Ratios

<b>LIQUIDITY RATIOS</b>	<b>March 2015</b>	<b>December 2014</b>
Current Ratio	0.66	0.64

<b>FINANCIAL STRUCTURE RATIOS</b>	<b>March 2015</b>	<b>December 2014</b>
Financial Leverage (Total Liabilities / Total Liabilities & Equity)	0.84	0.84
Total Liabilities / Equity	5.06	5.09
Financial Liabilities / Total Assets	0.42	0.42
Net Cash Position (Thousand TL)	-1,626,942	-1,673,452

<b>PROFITABILITY RATIOS (%)</b>	<b>Jan. 1 – Mar. 31, 2015</b>	<b>Jan. 1 – Mar. 31, 2014</b>
Gross Profit Margin	27.0%	26.9%
Operating Profit Margin	2.8%	2.7%
EBITDA Margin	6.4%	6.5%
EBITDAR Margin	11.7%	11.7%
Net Profit / Loss Margin	0.4%	-3.5%

<b>SHARE PERFORMANCE RATIOS</b>	<b>March 2015</b>	<b>December 2014</b>
Market Cap (Thousand TL)	3,711,926	4,050,183
Share Price (TL)	20.85	22.75
Earnings Per Share (EPS) (Kr)	0.04	0.55

## 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 1,227 stores in total at the end of March 31, 2015, of these 916 Migros, 24 5M, 213 Tansaş and 29 Macrocenter stores in seven geographical regions throughout Turkey, as well as 28 Ramstores and 1 Macrocenter in Kazakhstan and 16 Ramstores in Macedonia operated through its subsidiaries abroad.

During January 01 – March 31, 2015, Migros Ticaret A.Ş. opened 43 supermarkets in Turkey and 3 Ramstore abroad.

#### In Turkey;

<b>38 Migros stores</b>			
<b><u>M (6 stores)</u></b> Ankara (1) Adana (1) Kocaeli(1) Bursa (1) Malatya(1) Gaziantep(1)	<b><u>MM (2 stores)</u></b> İstanbul (1) Elazığ (1)	<b><u>MMM (1 store)</u></b> İstanbul (1)	<b><u>Migros Jet (29 stores)</u></b> İstanbul (13) Samsun (1) Bursa (1) Eskişehir (1) Kocaeli (1) Yalova (1) Muğla (1) Antalya (3) Aydın (1) Tekirdağ (1) Mersin (1) Ankara (1) Uşak (1) İzmir (2)

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

<b>1 Macrocenter store</b>
İzmir(1)

#### Abroad;

<b>3 Ramstores</b>
Kazakhstan (2) Macedonia (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](http://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](mailto: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](http://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.

Sustainability efforts of the Company have been restructured and the related documents on Sustainability 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 11 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2015 of the Company.

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.