

# MiGROS



**Migros Ticaret A.Ş.**

**01.01.2011 – 30.09.2011**

**Interim Activity Report**

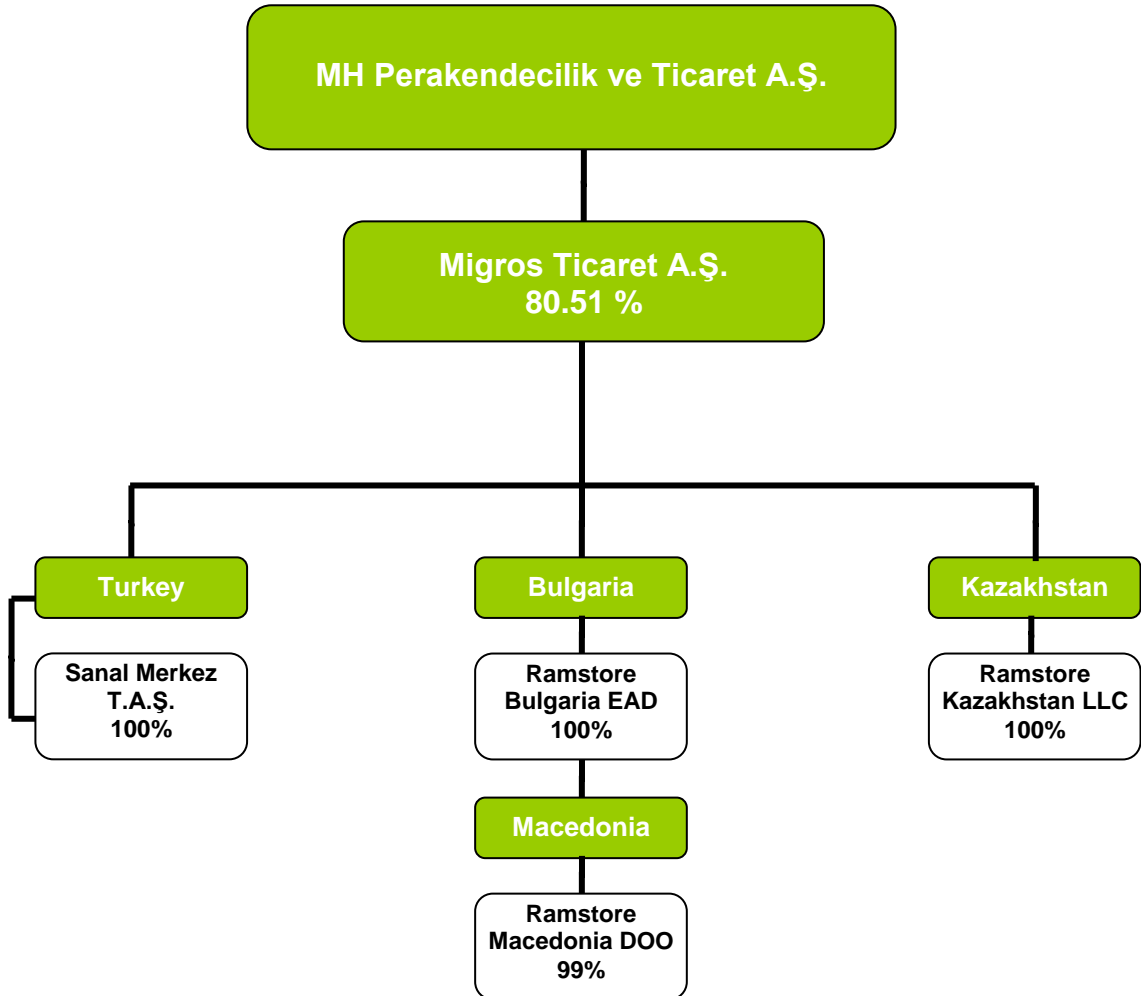
## CORPORATE PROFILE

<b>Company</b>	<b>: Migros Ticaret A.Ş.</b>
<b>The Date of Foundation*</b>	<b>: 19.03.2008</b>
<b>Trade Registry Office</b>	<b>: İstanbul Trade Registry Office</b>
<b>Trade Registry Number</b>	<b>: 659896</b>
<b>Tax Administration</b>	<b>: Büyük Mükellefler Vergi Dairesi</b>
<b>Tax ID</b>	<b>: 6220529513</b>
<b>Address</b>	<b>: Turgut Özal Caddesi No:12 34758 Ataşehir - İstanbul</b>
<b>Phone</b>	<b>: 0216 579 30 00</b>
<b>Fax</b>	<b>: 0216 579 35 00</b>
<b>Corporate Web Site</b>	<b>: www.migroskurumsal.com</b>
<b>E-mail</b>	<b>: malimigros@migros.com.tr</b>
<b>Capital</b>	<b>: TL 178,030,000</b>
<b>Stock Exchange</b>	<b>: İstanbul Stock Exchange</b>
<b>Listing Year at the Stock Exchange**</b>	<b>: 2009</b>
<b>Symbol</b>	<b>: MGROS.IS</b>

*(\*)*: 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 30 September 2011



## **INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET**

Gross Domestic Product (GDP) did grow by 10.2% in the first half of 2011 in real terms. Food, beverage and tobacco spend, which started its recovery since the beginning of 2010, did grow by 8.2% in the first half of the year. Consumer confidence index, reaching 90.41 by the end of September 2010, retreated to 93.70 in September 2011, 3.60% drop year-on-year. On the other hand, current account deficit is a major concern for the policy makers. Turkish Lira lost value significantly since the beginning of the year. The input prices and petrol increased further with the exchange rate impact.

Consumer Price Index (CPI), on a declining trend up until April because of the favorable base effect, has been gradually increasing since then. October 2011 CPI is 7.66% versus the same month last year. The continuation of inflationist pressure will be expected.

According to the Trade Council of Shopping Centers and Retailers (TCSCR), the sales revenue of organized retail increased by 6% in the last 12 months. During the same period, grocery retail sales revenues increase is 2% versus 13% non-food retail by the end of September 2011. Grocery Retail increased its selling space by 10% by September 2011 annually, versus 25% increase in non-food retail business.

## SECTION 1: CORPORATE INFORMATION

### Board of Directors

Board Members and Auditors of our Company are shown below.

### Board of Directors

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

### Auditors

Mustafa Bilgutay Yaşar	Auditor
Yüksel Toparlak	Auditor
Recep Bıyık	Auditor

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

### Authorities and Duties of the Board of Directors

According to the articles 16<sup>th</sup> and 17<sup>th</sup> in the Articles of Association of the Company, the Board of Directors have the authority to take any decision with the exception of matters that needs the resolution of the General Assembly in accordance with the laws and Company's Articles of Association.

### Authorities and Duties of the Auditors

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

### The shareholding structure of Migros Ticaret A.Ş.

The names of shareholders, shareholding amounts and percentages of the shareholders holding more than 10% of the TL 178,030,000 capital, are as follows:

As of 30 September 2011;

Migros Ticaret A.Ş.		
Shareholder	Share (%)	Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	80.51	143,323,336
Other	19.49	34,706,664
<b>Total</b>	<b>100.00</b>	<b>178,030,000</b>

### Information About the Most Recent Capital Increase

No increase was made in the capital between January – September 2011.

## **Information on General Assembly Meeting**

### **General Assembly Meeting**

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

During the General Assembly Meeting, as per the Communiqué of the Board of Capital Markets on Independent Auditing Standards, it resolved by the Board of Directors that "DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş." (a member of Deloitte Touche Tohmatsu International) which was recommended by the Audit Committee and selected for the year 2011 be authorized to act as independent external auditor.

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

### **Amendments in the Articles of Association During the Period**

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

### **The Dividend Policy of Migros**

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

"In line with the Company's long-term strategies, investments and financing plans and profitability, the amount of dividend which was determined by the Board of Directors and submitted for the approval of the General Assembly, computed in accordance with the CMB communiqués and regulations, can be distributed in cash or in the form of bonus shares of stock, or some combination of the two. This is the Company's policy for the next three years. Any change in this policy will be publicly disclosed."

### **The Dividend Distribution**

At the General Assembly Meeting of our company held on 26 May 2011;

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

## SECTION 2: FINANCIAL INFORMATION

### Sales

(thousand TL)

	1 January - 30 Sep. 2011	1 January - 30 Sep. 2010
Domestic sales	4,120,753	3,754,366
Foreign sales	245,477	186,886
	4,366,230	3,941,252
Other sales	5,285	2,535
	4,371,515	3,943,787
Less: Discounts and returns	(118,312)	(95,624)
<b>Sales revenue – net</b>	<b>4,253,203</b>	<b>3,848,163</b>

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

### The Financial Ratios

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

##### Loans

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

As from September 30, 2011 the outstanding loans of the Company stands at TL 2,703,935 thousand, out of which TL 54,145 thousand, have the characteristics of accrual of interest, is due within the next 12 months.

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

##### Risk management policies

The company's exposure to the fluctuations in foreign exchange rates and interest rates, is mainly due to the foreign exchange denominated loans in its Balance Sheet. Foreign exchange risk from loans and fluctuations in Euribor rates are continuously monitored and limited by hedging derivative instruments.

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

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

In the footnote 'Events After Balance Sheet Date' of the Consolidated Financial Statements, necessary explanations are provided on the matter.

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

N/A.

## Financial Statements

<b>Migros - IFRS Consolidated Income Statement Summary (Thousand TL)</b>	<b>01 Jan. – 30 Sep. 2011</b>	<b>%</b>	<b>01 Jan. - 30 Sep. 2010</b>	<b>%</b>
<b>Net Sales</b>	<b>4,253,203</b>	<b>100.0</b>	<b>3,848,163</b>	<b>100.0</b>
Cost of sales (-)	-3,153,125	-74.1	-2,865,355	-74.5
<b>Gross Profit</b>	<b>1,100,078</b>	<b>25.9</b>	<b>982,808</b>	<b>25.5</b>
Operating Expenses	-912,813	-21.5	-817,391	-21.2
Other Operating Income / (Expense)	-12,278	-0.3	396	0.0
<b>Operating Profit</b>	<b>174,987</b>	<b>4.1</b>	<b>165,814</b>	<b>4.3</b>
Financial Income / (Expense)	-568,763	-13.4	-20,364	-0.5
<b>Income Before Tax From Continued Operations</b>	<b>-393,776</b>	<b>-9.3</b>	<b>145,450</b>	<b>3.8</b>
Tax Income / (Expenses)	-40,038	-0.9	-25,589	-0.7
<b>Income For The Period From Continued Operations</b>	<b>-433,814</b>	<b>-10.2</b>	<b>119,861</b>	<b>3.1</b>
Income / Loss After Tax From Discontinued Operations	198,056	4.7	-16,678	-0.4
<b>Net Profit / Loss</b>	<b>-235,758</b>	<b>-5.5</b>	<b>103,183</b>	<b>2.7</b>
<i>Income For The Period-Minority Interest</i>	<i>-50</i>	<i>0.0</i>	<i>51</i>	<i>0.0</i>
<i>Income For The Period-Parent Company Shares</i>	<i>-235,708</i>	<i>-5.5</i>	<i>103,132</i>	<i>2.7</i>

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

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

<b>EBITDA</b>	<b>286,851</b>	<b>6.7</b>	<b>251,663</b>	<b>6.5</b>
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<b>Migros Ticaret A.Ş. IFRS Consolidated Balance Sheet Summary (Thousand TL)</b>	<b>Sep. 11</b>	<b>%</b>	<b>Dec. 10</b>	<b>%</b>
Current Assets	1,908,380	34.3	1,745,344	31.3
Non-current Assets	3,660,420	65.7	3,822,001	68.7
<b>Total Assets</b>	<b>5,568,800</b>	<b>100.0</b>	<b>5,567,345</b>	<b>100.0</b>
Current Liabilities	1,640,816	29.5	1,717,981	30.9
Non-current Liabilities	2,800,077	50.3	2,502,211	44.9
<b>Total Liabilities</b>	<b>4,440,893</b>	<b>79.7</b>	<b>4,220,192</b>	<b>75.8</b>
Parent Company Shareholders' Equity	1,127,444	20.2	1,346,647	24.2
Minority Interest	463	0.0	506	0.0
<b>Shareholders' Equity</b>	<b>1,127,907</b>	<b>20.3</b>	<b>1,347,153</b>	<b>24.2</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,568,800</b>	<b>100.0</b>	<b>5,567,345</b>	<b>100.0</b>



## Financial Structure and Profitability Ratios

<b>FINANCIAL STRUCTURE AND LIQUIDITY RATIOS</b>	<b>30 Sep. 11</b>	<b>31 Dec. 10</b>
Financial Leverage (Total Liabilities / Total Liabilities and Equity)	0.80	0.76
Total Liabilities / Shareholders' Equity	3.94	3.13
Financial Liabilities / Total Assets	0.49	0.43
Net Cash Position (Thousand TL)	-1,557,481	-1,520,372
Current Ratio	1.16	1.02

<b>PROFITABILITY RATIOS (%)</b>	<b>30 Sep. 11</b>	<b>30 Sep. 10</b>
Gross Profit Margin*	25.9	25.5
EBITDA Margin*	6.7	6.5
Operating Profit Margin*	4.1	4.3
Net Profit / Loss Margin	-5.5	2.7

\* It shows the profitability rates of discontinued operations.

<b>SHARE PERFORMANCE RATIOS</b>	<b>30 Sep. 11</b>	<b>31 Dec. 10</b>
Market Cap (Thousand TL)	2,688,253	5,234,082
Share Price (TL)	15.10	29.40
Earnings Per Share (EPS) (Kr)	-1.32	0.24

## SECTION 3: OPERATIONAL ACTIVITIES

### Position of Migros in the Sector and Investments

Operating in the food and consumer goods sector, Migros Ticaret A.Ş. is engaged in the retail sale of all types of food products and consumer goods, as well as their wholesale for retail consumption. The Company also operates shopping malls in Turkey and abroad through its subsidiaries.

The Company operates a network of 731 stores in total at the end of September 30, 2011, of these 259 M, 187 MM, 56 MMM, 15 5M, 90 Mini, 59 Midi, 25 Maxi and 13 Macrocenter stores in seven geographical regions throughout Turkey, as well as 22 Ramstores in Kazakhstan and 5 Ramstores in Macedonia operated through its associates abroad.

During January - September 2011, Migros Ticaret A.Ş. opened 4 hypermarkets and 56 supermarkets:

<b>48 Migros stores</b>			
<b><u>M (24 stores)</u></b> Antalya (3) Aydın (5) Bursa (1) Edirne (1) İstanbul (7) İzmir (3) Konya (1) Mersin (1) Muğla (1) Uşak (1)	<b><u>MM (19 stores)</u></b> Antalya (1) Balıkesir (1) Bilecik (1) Bolu (1) Bursa (1) Gaziantep (1) İstanbul (5) Kocaeli (1) Konya (1) Mersin (2) Muğla (1) Osmaniye (1) Tekirdağ (1) Yalova (1)	<b><u>MMM (1 store)</u></b> Samsun (1)	<b><u>5M (4 stores)</u></b> Adana (1) Bursa (1) İstanbul(1) İzmir (1)

<b>10 Tansaş stores</b>		
<b><u>Mini (7 stores)</u></b> Antalya (1) İzmir (6)	<b><u>Midi (3 stores)</u></b> İzmir (3)	

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

## **SECTION 4: OTHER ISSUES**

### **The Sales of Şok Marketler Ticaret A.Ş. Shares**

Pursuant to the decision taken in the Board Meeting dated June 07, 2011, the Company decided to sell its 99.600 TL nominal shares in Şok Marketler Ticaret A.Ş., which is 99.6% owned, to Turkish Retail Investments B.V., 50.000 TL nominal shares; Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., 39,000 TL nominal shares; Bizim Toptan Satış Mağazaları A.Ş., 10.000 TL nominal shares; other shareholders 600 TL nominal shares as at the date of 25/08/2011. A total of 581,010,056 TL was received for the transaction, which 40,000,000 TL on the signing of the share purchase agreement and the remaining amount 541,010,056 TL subsequently.

Migros Ticaret A.Ş. does not own any shares in Sok Marketler Ticaret A.Ş. after this transaction.

## **SECTION 5: CORPORATE GOVERNANCE**

### **Statement of Compliance with Corporate Governance Principle**

Migros Ticaret A.Ş., adheres to “Corporate Governance Principles”, which were announced by the Capital Markets Board of Turkey (CMB) in 2003. The application of the main principles of Corporate Governance, which are fairness, transparency, responsibility and accountability are continuously reviewed, deficiencies are fixed with the aspiration of becoming an exemplary role model.

The Company enriched the contents of its corporate website in order to keep its shareholders better informed.

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.

### **Investor Relations**

Investor Relations formed under the Finance Department in 2003 not only manages the relations with domestic and foreign investors but also the processes related to General Assembly, capital increases and dividend distribution. Within the same context, all enquiries and transactions of the shareholders regarding capital increases and dividend payments are handled here.

In addition, the Investor Relations communicates directly with various institutions including the CMB, İstanbul Stock Exchange (ISE), Central Registry Agency (CRA) and Takasbank (ISE Settlement and Custody Bank Inc) and represents the Company. Keeping records of the Board of Directors meetings and material disclosures to the ISE in compliance with the CMB Communiqué are among the Department’s other activities. Migros’ Investor Relations Department monitors relevant legislation as well as CMB communiqués and informs the senior management about the subjects and issues requiring compliance.

The department also responds to the information requests about the Company. Investor Relations is responsible for the preparation of the annual reports as well as the coordination of Corporate Governance operations and activities.

All shareholders requesting information about Migros can submit their queries by sending e-mail to [investor\\_relations@migros.com.tr](mailto:investor_relations@migros.com.tr). All other channels of communication are also available for the shareholders.