MİGROS 60 yıl

size iyi gelecek

MİGROS

WILL DO YOU GOOD...

ANNUAL REPORT 2014

CONTENTS

MİGROS CELEBRATED 2014, ITS SIXTIETH YEAR IN RETAILING, WITH DOUBLE-DIGIT GROWTH, A STEADILY INCREASING PENETRATION IN SEVENTY PROVINCES, SUSTAINABLE RESULTS CAPABLE OF NOURISHING FURTHER INVESTMENT, AND INNOVATIONS BEFITTING ITS PIONEERING ROLE. LAST YEAR MİGROS BECAME THE ONLY RETAILER IN TURKEY TO BE ADMITTED TO THE NEWLY-INAUGURATED "BORSA İSTANBUL SUSTAINABILITY INDEX". AS OF END-2014, MİGROS WAS AT THE SERVICE OF CUSTOMERS WITH 20,470 EMPLOYEES AND 1,190 STORES IN TURKEY AND ABROAD.

OUR FORMATS

MİGROS

MİGROS WILL DO YOU GOOD

Forever in the forefront of organized retailing in Turkey, Migros continues to be the home address of innovation, quality, and an enjoyable shopping experience with stores in 70 of the country's provinces and all seven of its geographical regions. With its "Will do you good" motto, Migros provides customers with good produce, good meat, and good products along with cheerful service and affordable prices. Strengthening the qualities that distinguish it from its competitors while further expanding its range of reasonably-priced choices, Migros reaches out to new audiences. With its philosophy of constant innovation, Migros continues to attract customers with new ideas and a service approach that recognizes their individuality.

884 STORES

(319 M - 213 MM - 79 MMM - 273 Migros Jet)

69 PROVINCES

Tansaş

WHERE QUALITY AS GOOD AS ITS WORD

With its commitment to freshness, discount prices, friendly service, and lively atmosphere, Tansaş stands by its customers delivering the very best in service as summed up in its "Where Quality As Good As Its Word" slogan. Tansaş is always one step ahead of the pack with its "Mind-Boggling Consumer Rights".

212 STORES

(128 Mini - 54 Midi - 30 Maxi)

6 PROVINCES

macrocenter

WORTH CELEBRATING

Macrocenter's superior service standards and product choices make it the leading name in gourmet brilliance. Offering an outstanding array of the best local offerings from all over Turkey as well as tempting delicacies from around the world, Macrocenter remains the touchstone of excellence in customer service and satisfaction. Macrocenter delivers exceptional service at its İstanbul, İzmir, Muğla, Ankara, and Antalya stores.

28 STORES

5 PROVINCES

MiGROS SANAL MARKET www.migros.com.tr

INTERNET, MOBILE & TABLET ACCESSIBILITY

The leading name in Turkey in online food retailing, Migros Virtual Market makes shopping at Migros more convenient than ever. Now serving customers in twenty-one cities (Adana, Afyon, Ankara, Antalya, Aydın, Balıkesir, Bursa, Denizli, Diyarbakır, Edirne, Eskişehir, İstanbul, İzmir, Kayseri, Kocaeli, Malatya, Mersin, Muğla, Sakarya, Samsun, Tekirdağ) and expanding fast, the Migros Virtual Market accepts orders at all hours of the day and delivers them efficiently to your door.

www.sanalmarket.com.tr
www.migroselektronik.com

21 PROVINCES

5M MiGROS

HYPER DISCOUNT

With the broad appeal that comes of hyper-discounts offered along with an untrammeled shopping experience, 5M Migros stores have proven to be very popular with customers. 5M is Turkey's chain of hyper-discount stores whose vast selection of textiles, home furnishings, glass- and kitchenware, electronics, and appliances is unmatched.

24 STORES

16 PROVINCES

Ramstore SUPERMARKET

TAKING PLEASURABLE SHOPPING AROUND THE WORLD

The leading retailer in Turkey, Migros currently serves customers through Ramstores at 42 locations outside Turkey, including two shopping centers one in Kazakhstan and one in Macedonia. It plans both to extend its reach in existing markets and to venture into new ones as well.

42 STORES

(27 KAZAKHSTAN - 15 MACEDONIA)

2 COUNTRIES

CORPORATE PROFILE

The pioneer of organized retailing in Turkey, Migros Group today offers spacious stores in a wide range of formats and locations whose vast selection of stationery, cosmetics, glass and kitchenware, appliance, book, clothing, and other items along with groceries and other necessities give it the ability to satisfy all the shopping needs of its customers.

Striving to give customers the benefit of technological developments while confidently continuing to serve them with its trusted human resources, the attention which the Migros Group gives to information technology and the investments which it undertakes always keep it at the forefront of the retailing sector.

Focusing on customer expectations since the day it was founded, Migros is known for its innovation and progress in retailing.

VISION - MISSION – STRATEGIES - PRINCIPLES

Vision

To be an organized retailer who remains the closest to customers by serving them in a variety of formats through a strategy of pursuing expansion both in its own and in neighboring national markets and always exceeding customer expectations.

Mission

To play a leading role in improving the quality of life at home and abroad with a business structure that is as innovative and productive as it is customer-focused, trusted, and mindful of people, the community, and the environment; to generate long-term, satisfying returns for its employees, business partners, and shareholders; to maintain its sectoral leadership in growth and operational profitability.

Strategies

Migros defines its strategies in line with its mission and so as to achieve sustainable quality, respect, and sectoral leadership through an approach to customer satisfaction that rises the bar of retailing standards in the countries in which it operates.

MİGROS' MOST FUNDAMENTAL STRATEGY IS TO KEEP ITS CUSTOMERS SUPPLIED WITH A MODERN, A RELIABLE, AN ECONOMICAL, AND A HIGH-QUALITY SERVICE.

Principles

Believing in the importance of having a strong corporate governance structure, Migros makes corporate governance principles its guide during every stage of every activity. Migros' actions are also informed by an awareness that not just the company but also all of its stakeholders and the country as a whole benefit from compliance with the corporate governance principles mandated by capital market laws and regulations and by commercial law.

Migros has adopted all four basic tenets of corporate governance:

- Fairness
- Transparency
- Responsibility
- Accountability.

Having adopted these as fundamental principles, Migros is committed to a management approach that satisfies them all and fully complies with all applicable regulatory requirements. Migros achieves this by creating a strong corporate structure and formulating policies compatible with corporate governance principles.

As one outcome of its corporate governance approach, the company achieves full compliance with all corporate governance principles published by the Capital Markets Board and it engages in an ongoing effort to apply those principles even more effectively. Migros publishes a corporate governance principles compliance report every year to inform its stakeholders of its progress in this are while its corporate website is updated on a daily basis in order to provide stakeholders with detailed information about the company.

2014 AT A GLANCE...

PRODUCTIVITY, PENETRATION, SHOPPING EXPERIENCE, GROWTH

Migros celebrated 2014, its sixtieth year in retailing, with double-digit growth, a steadily increasing penetration in seventy provinces, sustainable results capable of nourishing further investment, and innovations befitting its pioneering role.

Efficiency, penetration, shopping experience and growth are the fountainheads of the Migros brand's strength.

Every day Migros appeals to the hearts and minds of 1,750,000 customers through an array of formats in seventy provinces.

In order to be sure that it is offering only the most competitive prices, Migros constantly compares the best "shopping basket" the market has to offer with its own and then formulates a pricing structure that is the most compatible with middle-income families' budgets and expectations. It is because of this approach that the Migros Group's customer profile perfectly matches that of Turkey as a whole.

Of the 199 new stores that were opened in 2014, 80 were funded entirely with the company's own resources. As of end-2014, Migros was at the service of customers with 20,470 employees and 1,190 stores in Turkey and abroad.

In 2014 Migros joined forces with OMV Petrol Ofisi AŞ ("PO"), Turkey's leading chain of fuel stations, in an innovative first. Under an agreement between the two, Migros Jet stores open 24 hours a day 7 days a week are to be sited at PO stations so that customers can take care of their shopping as well as their fuel needs at one convenient location. Having been initiated in İstanbul, this project is going to be extended to include PO stations in other parts of the country as well. As of last year's end, the number of Migros Jet stores operating at PO stations had reached 40.

The only retailer to be admitted to the BIST Sustainability Index

Shaping all of its business processes with a mindfulness for ecological as well as economic concerns and supplying its customers with the best and most affordable products in the fastest way in keeping with its "Do you good" motto, Migros Ticaret AŞ is the first retailer to be admitted to the BIST Sustainability Index that was introduced at Borsa İstanbul, the İstanbul stock exchange, in 2014. After having the sustainability processes of firms included in the BIST-30 Index independently rated, fifteen companies were designated for inclusion in Turkey's first "sustainability index" and Migros was one of them. This honor is further confirmation of the importance that Migros gives to people- and eco-friendly business processes and practices.

Migros Ticaret AŞ's inclusion in the BIST Sustainability Index is testimony to the attention the company gives to such sustainability issues as global warming, biodiversity, efficient natural resource use, water conservation, occupational health & safety, employment, supply chain management, corporate governance, and the like while continuing to serve customers all over Turkey in keeping with the "Migros will do you good" approach.

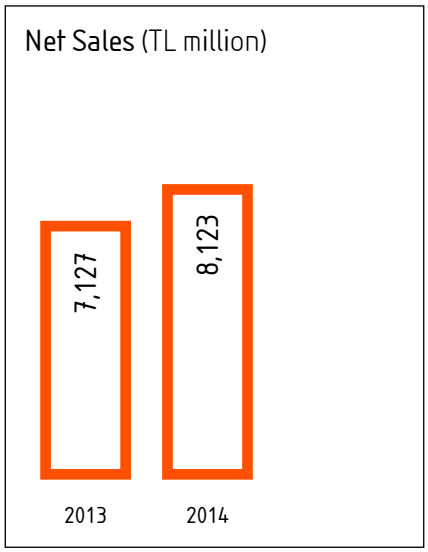
While drawing attention to companies that commit themselves to sustainability and corporate social responsibility principles, the BIST Sustainability Index is also important because it attracts those who are interested in investing in such firms. The BIST Sustainability Index is the result of a project undertaken jointly by Borsa İstanbul and Ethical Investment Research Services Limited, a global leader in the provision of independent environmental, social, governance research for asset owners, asset managers, banks, wealth managers, charities, and index providers around the world.

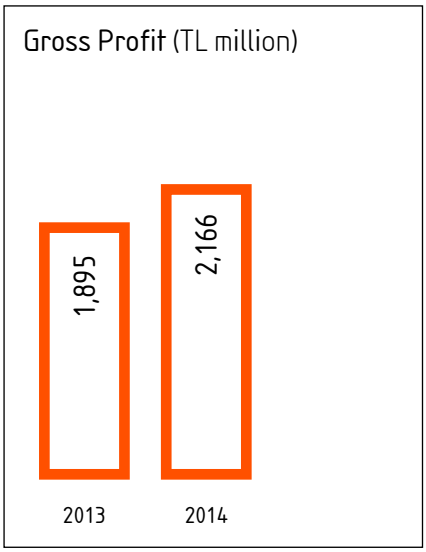

NAR
KG
5.95
₺/kg
9.25

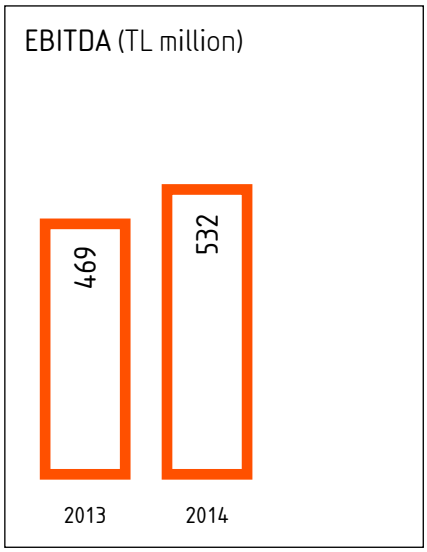
GROWING THE GOODNESS

Seeking to be accessible everywhere in Turkey, Migros offers quality products at the most affordable prices through an expanding network of stores while steadily growing its market share by satisfying its customers' every expectation.

KEY HIGHLIGHTS







14%

GROWTH IN NET CONSOLIDATED SALES IN 2014

Summary Consolidated Balance Sheet

(TL thousand)	2014	2013	Change (%)
Assets			
Current Assets	1,729,234	1,980,727	-12.7
Non-Current Assets	3,864,261	3,815,908	1.3
Total Assets	5,593,495	5,796,635	-3.5
Liabilities			
Current Liabilities	2,715,930	2,360,669	15.0
Non-current Liabilities	1,958,399	2,605,742	-24.8
Non-controlling Interests	554	691	-19.8
Attributable to Equity Holders of the Parent	918,612	829,533	10.7
Total Liabilities and Equity	5,593,495	5,796,635	-3.5

14.3%

INCREASE IN
GROSS PROFIT
IN 2014

Summary Consolidated Statement of Income

(TL thousand)	2014	2013	Change (%)
Net Sales	8,122,667	7,126,925	14.0
Cost of Sales	-5,956,383	-5,232,223	13.8
Gross Profit	2,166,284	1,894,702	14.3
Operating Expenses	-1,838,282	-1,603,262	14.7
Other Operating Income/Expenses	-92,739	-55,398	67.4
Operating Profit	235,263	236,042	-0.3
Income/Expenses from investment activities	-1,764	-5,755	-69.3
Financial Income/Expenses (net)	-49,501	-615,004	-92.0
Income Before Tax	183,998	-384,717	-147.8
Taxes	-85,492	-78,416	9.0
Net Income	98,506	-463,133	-121.3
EBITDA	532,005	469,255	13.4

13.4%

INCREASE IN
EBITDA
IN 2014

TIMELINE

1954
45 SHOPPING CARTS

10TH ANNIVERSARY

1964
1 STORE

20TH ANNIVERSARY

1974
3 STORES

30TH ANNIVERSARY

1984
25 STORES

40TH ANNIVERSARY

1994
38 M
11 MM
7 MMM
TOTAL
56 STORES

1954
ESTABLISHED

Migros is established as a joint venture of the Swiss-based Migros Cooperatives Society and the İstanbul municipality.

1957

First Migros store opens in the İstanbul Beyoğlu fish market.

1975

Koç Group acquires a majority stake in Migros.

1988

Migros ventures outside İstanbul for the first time by opening four stores in İzmir.

1990

Large-scale retailing begins with the introduction of the "MM" and "MMM" formats.

Migros introduces part-time employment practices to Turkey's food retailing sector.

Migroskop begins publication.

Turkey's first computerized automatic-weighing cash registers are introduced at Migros stores.

1991

Migros goes public.

1995

Migros launches ŞOK, Turkey's first food retailing discount brand and format.

Migros-branded private label products appear on the shelves of Migros stores.

Migros starts sales with credit cards in the retailing sector.

50TH ANNIVERSARY

2004
DOMESTIC
283 ŞOK
72 M
72 MM
33 MMM
3 5M
INTERNATIONAL
44 RAMSTORE
TOTAL
507 STORES

60TH ANNIVERSARY

2014
DOMESTIC
212 TANSAŞ
28 MACROCENTER
273 MİGROS JET
319 M
213 MM
79 MMM
24 5M
INTERNATIONAL
42 RAMSTORE
TOTAL
1,190 STORES

1996

Migros ventures abroad with its first store in another country.

First electronic shelf tags go into use.

1997

Migros launches Migros Virtual Market, Turkey's first online food retailer.

Migros opens its first shopping mall in the Beylikdüzü district of İstanbul.

1998

Migros introduces Migros Club Card, the first loyalty card system in Turkey's food retailing industry.

1999

Migros' first Ramstore is opened, in Kazakhstan.

Turkey's-and Europe's-first self-checkout customer activated terminal goes into service.

2005

Migros acquires Tansaş, a leading regional food retailer in Aegean Turkey.

The Macrocenter format is launched.

Migros opens its first Ramstore in Macedonia.

2007

The "deep-discount" 5M format of hypermarkets is launched.

2009

Following the transfer of the Koç Group's stake in 2008, MH Perakendecilik ve Ticaret AŞ becomes Migros' major shareholder.

Migros introduces the first "express checkout lane" to shoppers in Turkey.

2011

The Migros Jet convenience store format is launched.

2014

Migros reaches customers through 1,190 stores in its home and international markets.

CHAIRMAN'S MESSAGE

We as Migros are at the service of our customers; we keep them supplied with wholesome, hygienic products. Through our highly competitive strategies, we offer superior-quality products as well as choice at very affordable prices.

Honored shareholders,

Welcome to Migros' annual general meeting. I first want to say how pleased I am that you have attended this meeting at which we will be assessing our 2014 operational results.

Economic and sectoral review

Esteemed Migros stakeholders, 2014 was a year accompanied by uncertainties both at home and abroad. Debates over whether or not the US Federal Reserve Bank would or would not raise interest rates created volatilities in developing countries' exchange and interest rates. In the euro zone, the European Central Bank adopted a generally expansionist policy in order to support growth. Turning our attentions to the domestic front, we see a relatively vigorous economy and a more optimistic picture, especially after the elections. That said, growth figures as in previous years continued to lag behind the country's potential. Having grown by 4.1% in real terms in 2013, the Turkish economy registered just a 2.8% rate of real growth in the first nine months of 2014. Though consumer inflation was higher than it had been the year before, we could at least take solace that, at 8.2%, it was still in the single-digit range. Substantial declines in worldwide commodity prices–and especially cheaper oil and natural gas–presented a tremendous opportunity for countries suffering from structural current account deficits. Lower oil prices will help reduce our country's imports bill; and just as they help to narrow its current account deficit and pull down inflation and interest rates, they will also allow its true growth potential to emerge. Similarly, an agenda whose talking points are growth, employment, and new business opportunities will also contribute to the growth and development of our country and its business world and also help make people better off. We as Migros will grow in parallel with your confidence, in parallel with our country. As Turkey grows stronger, so too will Migros. We as Migros intend to pursue our investments and to keep creating new jobs.

Strategies and operational performance

Valued shareholders, when I look at Migros I see growth. I see growth that gains market share, growth that is sustainable. I see growth that is healthy. In 2013 we opened a total of 165 new

FOR SIXTY YEARS MİGROS HAS BEEN GROWING CONFIDENTLY AND STEADILY.

stores, when our international operations are taken into account; in 2014, that number was 199. As of end-2014, the total number of our stores stood at 1,190. We as Migros are at the service of our customers; we keep them supplied with wholesome, hygienic products. Through our highly competitive strategies, we offer superior-quality products as well as choice at very affordable prices. The appreciation that our customers show in return is more than just gratifying to us.

Turning now to our financial performance, our company's consolidated sales reached TL 8,123 million in 2014, a year-on rise of 14%. Our gross profit was also up by 14.3% year-on and amounted to TL 2,166 million. We continue to reap the benefits of the intensive efforts we have been making for quite some time to improve the operational processes of our logistical and supply chain management. Our company's consolidated gross profit margin, which has been registering improvements now for four consecutive years, reached 26.7% in 2014. Our consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) was TL 532 million, which corresponds to an EBITDA margin of 6.5%; when rents are factored out, those figures were TL 934 million and 11.5% respectively. Finally I can report that, thanks to our successful results on the operational front, we posted a pre-tax profit of TL 184 million and a net profit of TL 99 million in 2014.

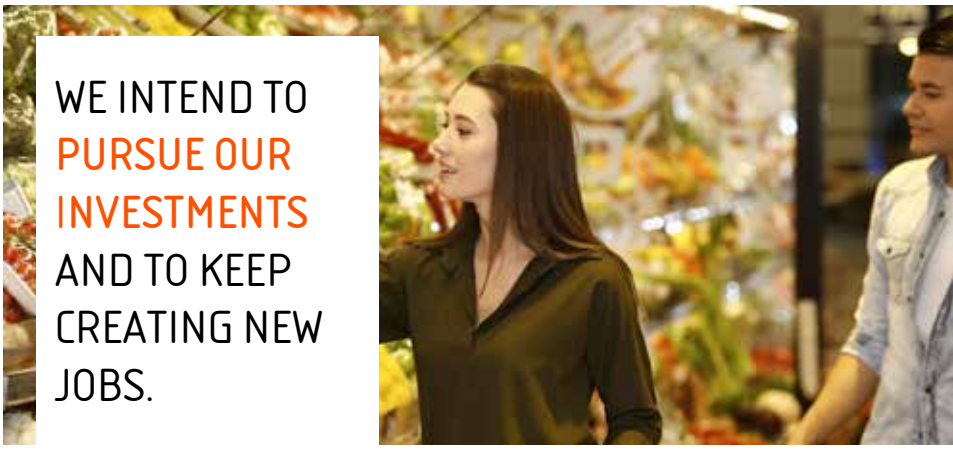
Expectations for the future

Honored shareholders, we take pride in saying that Migros has been serving its customers for sixty years; that for sixty years Migros has been confidently, steadily opening stores north, south, east, and west; that for sixty years Migros has been mindful of its social responsibilities and has behaved responsibly, respectfully, harmoniously in its dealings with the community, the state, its employees, its business partners–in other words with all of its stakeholders. We take pride in saying that Migros' management is transparent, accountable. We take pride in saying that Migros safeguards the environment. Nor are we the only ones who say such things: a completely external event that transpired in 2014 corroborated the importance that we give to Migros' corporate culture. Borsa İstanbul had sustainability processes and activities of the leading firms quoted on the exchange evaluated by an internationally-respected agency. We take pride in saying that Migros, based on the results of that evaluation, was one of only fifteen companies deemed to be worthy of inclusion in the Borsa İstanbul Sustainability Index. Migros is the first–and the only–publicly-traded retailer in Turkey to be admitted to this index. Just as I am delighted by such evident admiration of Migros' corporate culture and approach to business, I also thank our employees for making it possible.

In closing, honored shareholders I thank you as well.

Confident that there will be many more Migros anniversaries to celebrate, I offer you all my respects.

F. Bülent Özaydınlı
Chairman of the Board of Directors
Migros Ticaret AŞ



WE INTEND TO PURSUE OUR INVESTMENTS AND TO KEEP CREATING NEW JOBS.

Having registered a 4.1% rate of real growth in 2013, the Turkish economy grew by 2.8% in real terms in the first three quarters of 2014.

Notwithstanding some hardships, 2014 was a relatively moderate year for the world economy overall. That said, the potential vulnerabilities that had emerged in the wake of the financial crisis that broke out in the USA in 2008 and quickly became globalized were frequently put to the test by a host of political uncertainties and the severe market volatilities that accompanied them. While the world's agenda was preoccupied by violence in Syria and Iraq as well as in Ukraine, the Turkish economy had to contend with the ramifications of both municipal and presidential elections.

Markets continued to hang on every word emerging from the US Federal Reserve Bank in America and the European Central Bank in Europe in 2014. As soon as it became evident that the ECB would adhere to a more expansionist monetary stance and continue buying bonds while the Fed would do exactly the opposite and might even begin raising interest rates in the near term, the EUR/USD parity slipped towards the 1:1 mark while Europe's real interest rates began moving into negative territory. In light of such international developments, rising commodity prices, and downwardly-revised growth rates at home, the Turkish Central Bank responded by lowering its policy rates in order to support economic growth.

It was in the context of such developments that the world economy is thought to have grown by about 2.6% overall in 2014, as compared with 2.5% in 2013. Even that would not have been possible without the average 4.4% rate of growth achieved, as expected, among the developing countries, which were nevertheless half a percentage point below their 4.9% performance in 2013.

Having registered a 4.1% rate of real (ie above-inflation) growth in 2013, the Turkish economy grew by 2.8% in real terms in the first three quarters of 2014. As things currently stand, it seems likely that the twelve-month growth rate as of year-end will be on the order of 3.3%, which is what is called for in the government's most recently published Medium-Term Program (MTP). Resident and non-resident household domestic expenditures in the first nine months of 2014 were 1.9% higher in current prices than they were in the same period of the previous year. Resident and non-resident household domestic consumption expenditures for food, beverages, and tobacco products grew by about 2.2% in real terms. While seasonally-adjusted constant-price retail sales were 5.0% higher in December 2014 than they were in December 2013, food, beverage, and tobacco product sales were up by only 3.2%. Turkey's current account deficit amounted to USD 45.8 billion in 2014. While this was USD 18.8 billion lower than what it had been in 2013, at least some of the decline is attributable to the slowdown in the country's economic activity.

Twelve-month consumer price inflation, which was 7.4% in 2013, stood at 8.2% at end-2014, nearly three whole percentage points above the 2014-2016 MTP target of 5.3%. A rise in currency exchange rates and higher-than-expected food prices in the second half-year are cited as the primary causes of this lapse in inflation targeting performance. The seasonally-adjusted unemployment rate, which was 9.1% in 2011, 8.4% in 2012, and 9.0% in 2013, appears to have been 9.9% in 2014 based on figures from the first eleven-month averages of that year.

Having previously succeeded in joining the "investment-grade" club based on ratings by Fitch Ratings, Moody's, and JCR, Turkey's ratings were confirmed by all three international rating agencies despite considerably heightened volatilities and uncertainties in the global economy.

8.2%

CONSUMER PRICE INFLATION REGISTERED IN 2014

MİGROS INVESTMENT ACTIVITIES IN 2014

The Company serves its customers in seven different formats: Migros, Tansaş, Macrocenter, Ramstore, 5M, Virtual Market, and Wholesale.

During 2014 new openings in Turkey consisted of 64 Migros (44 M, 16 MM, and 4 MMM), 109 Migros Jet, 15 Mini Tansaş and 5 Macrocenter stores in the supermarket format and 3 5M stores in the hypermarket format while 2 Ramstores went into service in Kazakhstan and one in Macedonia. As a result of these developments, 199 new stores were added to the overall portfolio last year. This addition of 199 new locations in Turkey and abroad in 2014 means that the targets of 100-150 new supermarket and 2-3 new hypermarket openings that had been set at the beginning of the year was exceeded. The company's new store openings target for 2014 was revised and publicly disclosed twice during the year.

As of year-end 2014, the Company's portfolio held a total of 1,190 stores consisting of 319 M, 213 MM, 79 MMM, 273 Migros Jet, 24 5M, 128 Mini, 54 Midi, 30 Maxi and 28 Macrocenter stores in Turkey and 42 Ramstores (27 in Kazakhstan and 15 in Macedonia) abroad. As of end-2014, the company had supermarket-format operations in 70 and hypermarket-format operations in 16 of Turkey's provinces.

The Company manages three shopping centers in Turkey and another two (one each in Kazakhstan and Macedonia) abroad. As of end-2014, the Company's combined (domestic and international) net sales space amounted to 952,616 m^2, which corresponds to a year-on rise of 6.5%. Both the Tansaş and Migros brands continued to grow in the supermarket business line with the addition of new stores. With the addition of new Macrocenters opened in İstanbul, Ankara and Muğla during 2014, that format continued to provide service in five cities.

Sales space optimization was carried out in the 5M (hypermarket) format in order to improve its efficiency. Three new 5M stores were opened in three more cities bringing the total number of such locations in the country to 24.

Supermarket operations make up the Company's principal business activity. The company's 5M hypermarket format is distinguished from its peers in the sector by virtue of superior value and delightful shopping experience provided to its customers. The Ramstore brand, which is managed through the Company's subsidiaries in Kazakhstan and Macedonia, continues to expand profitably abroad.

During 2014 new openings in Turkey consisted of 64 Migros, 109 Migros Jet, 15 Mini Tansaş and 5 Macrocenter stores in the supermarket format and 3 5M stores in the hypermarket format.

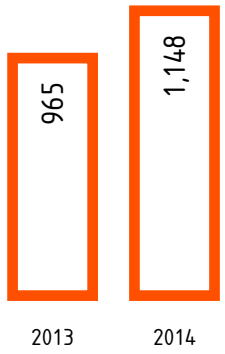
199

NEW STORES

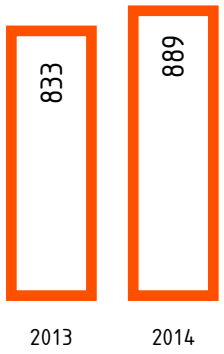
INCREASE IN NUMBER OF STORES IN 2014

DOMESTIC OPERATIONS...

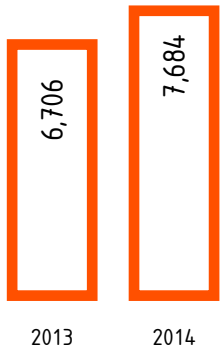
Number of Stores of Domestic Operations (unit)



Net Sales Area of Domestic Stores (thousand m²)

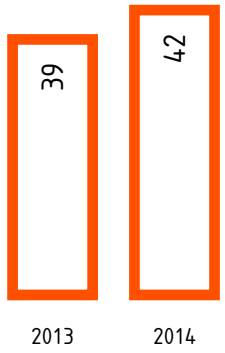


Net Sales of Domestic Operations (TL million)

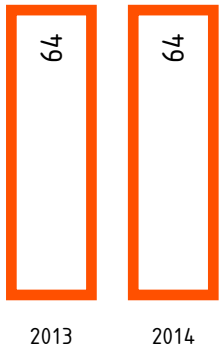


INTERNATIONAL OPERATIONS...

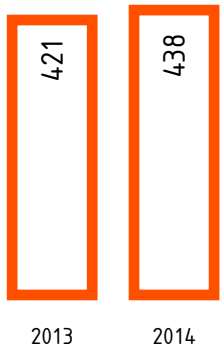
Number of Stores of International Operations (unit)



Net Sales Area of International Stores (thousand m²)

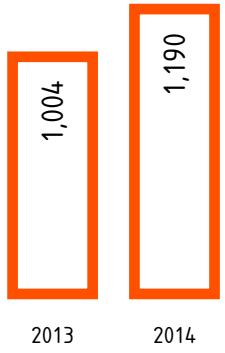


Net Sales of International Operations (TL million)

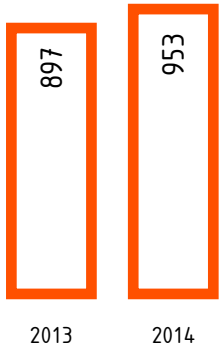


TOTAL

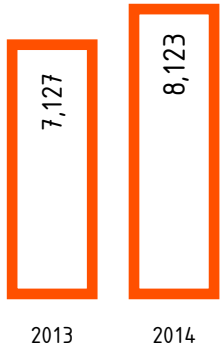
Total Number of Stores (unit)

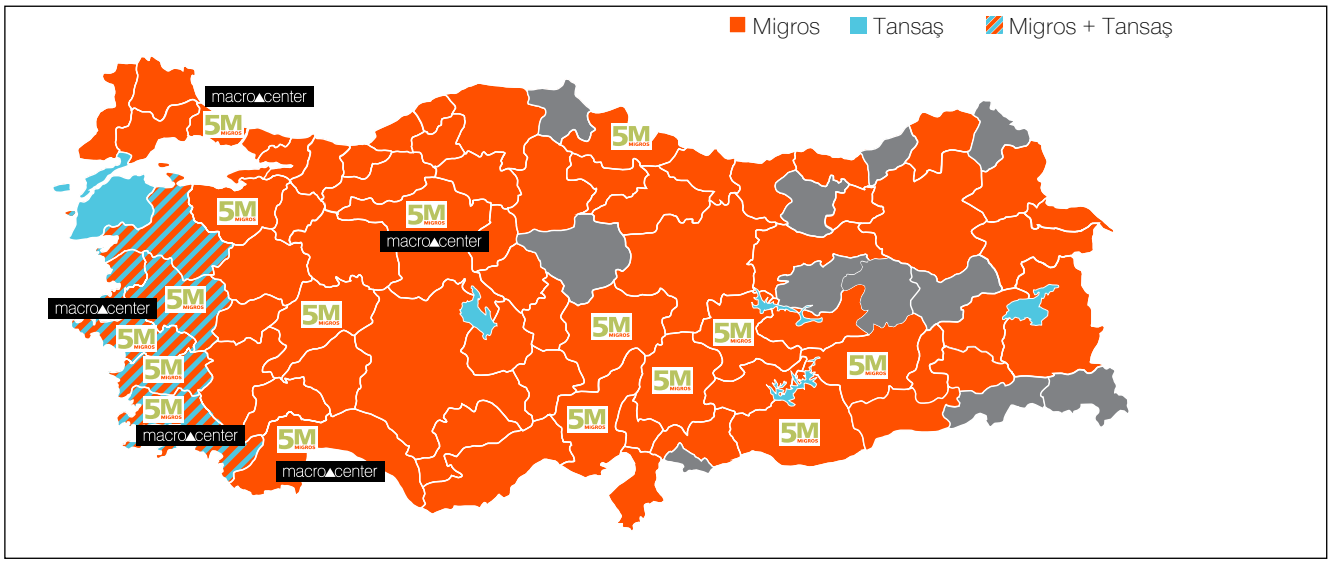


Total Net Sales Area (thousand m²)



Total Net Sales (TL million)





Breakdown of Sales (%)

- Domestic 94.6%
- International 5.4%

Breakdown of Net Sales Area by Brands (%)

- Migros 67%
- Macrocenter 3%
- Tansaş 11%
- 5M Migros 12%
- Ramstore 7%

Breakdown of Net Sales Area by Store Formats (%)

- Domestic 93.3%
- International 6.7%

INTERNATIONAL SUBSIDIARIES

During 2014, 2 Ramstores went into service in Kazakhstan and one in Macedonia.

Migros' international subsidiaries supermarket operations in Kazakhstan and Macedonia continued to grow profitably under the Ramstore banner last year. The company's international subsidiaries registered an aggregate 4.1% year-on rise in their total sales in 2014.

The organized retailing sector is still in the early stages of development in Kazakhstan and Macedonia, both of which countries offer significant growth potential for all types of organized retailers.

With the addition of two new stores in Almaty in 2014, Ramstore Kazakhstan is now serving customers through a total of 27 stores whose aggregate sales space amounts to 49,350 m^2. Ramstore Kazakhstan served 16.9 million customers last year.

In 2014 Ramstore Macedonia opened one new store in Skopje. This addition brings the dimensions of the Company's operations in that country to 15 stores and an aggregate sales space of 14,713 m^2. Ramstore Macedonia served 5.7 million customers last year.

As of end-2014, the Company's international operations had a total of 42 stores with an aggregate sales space of 64,063 m^2 and total sales amounting to TL 438.3 million in value. Migros' foreign subsidiaries' earnings before interest, taxes depreciation, and amortization (EBITDA) reached TL 27.4 million in value last year while their EBITDA margin corresponded to about 6.2% of their total sales.

438

TL MILLION

TOTAL SALES OF INTERNATIONAL SUBSIDIARIES IN 2014

PRODUCT MANAGEMENT

Migros distinguishes itself from its competitors in the sector through effective marketing strategies that also incorporate themed campaigns while simultaneously appealing to its customers with an insightfully- and richly-structured portfolio of competitively-priced offerings.

On the occasion of its 60th year in business, Migros organized a series of "60th Year of Goodness" campaigns for which it had various products produced specially for customers. Differently-themed campaigns such as "Thrift", "Only At Migros", and "This Is My World" were also conducted.

The themed catalogues, weekend discounts, and "Seeing Is Believing" campaigns that the Company has been successfully conducting for many years continued in 2014. Discounts to mark special observances like Valentine's Day, Women's Day, Children's Day, and World Animal Day have long been a Migros tradition.

Effective promotional efforts during the year concentrated on price competition and on serving customers in the best way possible by offering the highest-quality products at the best prices. Special attention was also given to stock management both before and after such promotions.

The introduction of locally-sourced produce not only enhances product variety for customers but also provides suppliers with opportunities to develop their own distribution channels. Migros continues to expand both its import operations and its organic products portfolio so as to better respond to consumers' price, quality, and variety priorities.

In the wake of its "Good Farming" and "Good Meat" projects, Migros worked with suppliers and government agencies to successfully carry out a "Good Poultry" project as well. The launch of its "Good Poultry" label was accompanied by a communication campaign that focused on the importance of trustworthy and wholesome quality poultry products and how they should be made available to consumers.

Because freshly-baked bread is something that nearly all shoppers buy every day, bakery sections are being installed in M-format stores where possible so that freshly-made baked goods can be produced on the premises and supplied directly to consumers.

Renovations have been made in the layouts of selected stores based on product categories deemed to be of strategic importance. Product portfolios have also been revised in line with such layout revisions with attention being given to product diversity. Product category unit assignments are now being made taking into account the issues of turnover and profitability.

Particular attention was given to portfolio and product management both for traditional retailing formats and for the newly-introduced PO Migros Jet service-station format. This has both improved and optimized the mix of consumer offerings.

Projects whose aim is to maximize product availability while minimizing stock levels are making it possible to make more efficient use of storage space. Another goal of these projects is to transform storage space into selling space so as to put more products in front of customers in stores.

A space management system has been introduced for non-food item groups. Another goal of this system is to boost ancillary sales of such items in addition to improving their stock and variety as well as their space-management efficiency.

In response to feedback from its suppliers and in order to strengthen its collaboration with them, Migros continues to expand the reporting and support capabilities of the B2B screens through which it comes into contact with them.

COMPETITIVELY-PRICES
INSIGHTFULLY- AND RICHLY-STRUCTURED
PORTFOLIO


SADECE MİGROS'TA
365 GÜN
KAZANDIRAN SARI
10

DIVERSIFYING THE GOODNESS

As the sector's leader in product diversity, affordable prices, and effective promotion in a wide range of consumer goods and brands, Migros provides its customers with the best service and the most product choices at all times.

PRIVATE LABELS

The success of Migros' private-label products was confirmed yet again by two awards that they received in 2014.

The Company offers three different product groups under its "Only At Migros" program: fresh produce, private-label products, and branded products that are sold only by Migros.

Fresh Produce: Strong logistical network support gives Migros a tremendous competitive advantage in ensuring the quality and freshness of its fresh produce. All of the company's meat is sourced from its own meat processing facility, which was relocated to n newly-built, modern site in July 2013. For red meat, Migros obtains live animals only from producers whose operations it inspects itself, processes the meat itself, and has it freshly delivered to all of its stores on a daily basis. Ready-to-eat and composite products, which are marketed under Migros' own "Uzman Kasap" ("Expert Butcher") label, are prepared and packaged without manual intervention. The company's commitment to good agricultural practices (GAP) in fresh fruits and vegetables further strengthens the confidence that customers have in the Migros brand. Under the "From Field To Shelf Project", all fresh produce is harvested, shipped to stores, and placed on shelves within thirty hours.

Private-Label Products: As of end-2014, Migros was serving customers with close to a thousand stock-keeping unit (SKU) private-label products in more than 200 categories. Migros- and Tansaş-branded products consist of basic necessities that possess the superior quality standards that are expected of Migros while being more economical than comparable products currently available on the market. In addition to these there is also "M Selection", which is the top-of-the-line choice whose qualities are superior to those of the leading branded products in the same category, while "M Life" consists of organic products for customers who are mindful of their wellbeing as well as of low-calorie and diabetic products for people with health issues. Besides foodstuffs, Migros also offers private-label non-food items in other categories such as paper products, home and other textiles, glassware, household appliances, and heaters under names such as "Viva", "Q-Max", "Home Basix", and "Touch Me".

In 2014 the Company continued the strategic approach it introduced in 2011 in its private-label product groups. In line with this strategy, efforts continued to be made all year long to further enhance the quality of private-label products.

The growth in sales of private-label products once again outpaced overall turnover growth in 2014.

The success of Migros' private-label products was confirmed yet again by two awards that they received in 2014. Migros' sheep's milk and goat's milk "Ezine" brand cheeses were given the "2014 Superior Taste Award" by a jury of Michelin-star chefs and sommeliers in a competition conducted by the International Taste & Quality Institute (iTQi) while Migros' "M Life Organic" nuts and dried fruits received the "2014 Best New Product" award in the "Healthy Snacks" category in a poll of 13,000 Turkish consumers conducted by BrandSpark.

Branded products that are sold only by Migros: Numerous branded products which are not to be found anywhere except at Migros and/or Tansaş consist of:

- Well-known and much sought-after regional specialties
- Products with proven success outside Turkey but which have not yet entered the country
- New-concept products with which Turkish consumers are not yet very familiar.

The Company deploys such products both to attract customers and to expand their basket volumes.

PRIVATE-LABEL PRODUCTS OUTPACING OVERALL TURNOVER GROWTH

MONEY CLUB AND CRM

In a management decision made at the beginning of the year, responsibility for all Migros Group customer-communication management activities was given to the Brand Communication & CRM Department. This step was taken not just to improve the effectiveness of customer communication but also to allow Migros to get to know its customers better.

The campaigns and activities conducted by Money Club in 2014 successfully maintained the club's standing as Turkey's biggest and most valuable customer loyalty program. The number of the program's active members reached 8,765,607 in 2014.

Money Club continues to lead the way in the sector through its uniquely original approach to customer communication practices and innovations. Under a new project that was launched in 2014, store managers identify their most loyal customers and talk to them personally in order to solicit feedback.

By fine-tuning the criteria and content of its digital-channel communication with customers, it has become possible for Money Club to make such communication more personalized and compatible with customer expectations while also allowing it to be tracked better. Customer-related shopping data are analyzed and lists of favorite/most-frequently-purchased goods are created for each customer. Whenever one of these products goes on sale or is included in a campaign, a personalized message is sent to the customer. Mechanisms have been set in place to ensure the continuity of such communication.

In addition to personalized digital-channel communication based on frequently-purchased products, customer communication is also informed by the regional consumption and shopping habits of people living in the area where a store is located. Under Migros' regional management system, each region's management identifies which of various campaign and discount options currently available best address the needs of their local customers and then notifies Money Club of its wishes on a weekly basis. This information is used by Money Club to send out text messages announcing campaigns etc directly to local customers.

Having already conducted some of the sector's most unusual and unprecedented campaigns, in May Money Club introduced its Migros-format customers to yet another. In its "Açma Kazan" ("Don't Open & Win") campaign, customers are given a sealed envelope for every TL 50

Money Club continues to lead the way in the sector through its uniquely original approach to customer communication practices and innovations.

8.7

MILLION

ACTIVE MONEY CLUB MEMBERS

2014 was a year in which CRM campaigns with suppliers proved to be more productive than ever before.

they spend. Every envelope contains a free coupon worth up to TL 50 for use against their future purchases. In order to use the coupon however, they must come back to the store at least one day later and open the envelope in the presence of a cashier, who loudly announces the amount. The curiosity provoked by the sealed envelope, the excitement at the cash register, and the sociable dialogue ensuing between cashiers and customers made this one of the most singular and attention-getting marketing campaigns of 2014.

A campaign based on customers' daily needs and shopping habits was also mounted in the Tansaş format in 2014. In this "Newspaper Campaign", customers who spent more than a total of TL 200 during the month of February using their Money Club card were entitled to receive a free newspaper of their choice every day they made a purchase using their card during the month of March. The campaign, which succeeded in increasing the frequency of customer store visits, attracted so much interest that it was repeated in November.

Seeking to create value for customers in other sectors in which they frequently make retail purchases, in October Money Club entered into a strategic business partnership with Petrol Ofisi (PO), Turkey's leading chain of fuel stations. Under the Migros-PO agreement, Money Club members earn loyalty points on purchases that they make at PO stations using their Money Club cards. These points can be used to pay for purchases both of fuel and of goods from stations' convenience stores. By joining forces with PO, Migros creates added value for customers in two of their most important retail-purchasing experiences: food and fuel.

2014 was a year in which CRM campaigns with suppliers proved to be more productive than ever before. Efforts on the part of suppliers to know their own customers more than doubled the turnaround productivity of CRM campaigns.

Money Club delivered personalized advantage to 5.8 million customers in the course of 2014. In a poll of consumers conducted by MediaCat, a corporate- and customer-research and communication agency, Money Club Card was the first loyalty card to be concurrently cited in all samples of all age groups in the "Best-known loyalty card in any sector", "Most-recommended loyalty card in its own sector", and "If you had to pick just one program, which would it be in any sector?" categories.

5.8

MILLION CUSTOMERS

PERSONALIZED ADVANTAGES BY MONEY CLUB

MİGROS VIRTUAL MARKET
www.sanalmarket.com.tr

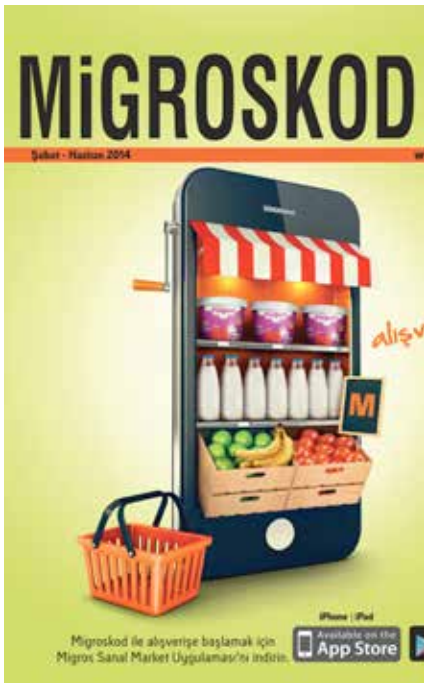
Serving online customers in Turkey since 1997, the Migros Virtual Market (MVM) continued to grow rapidly in 2014 thanks to the addition of smart phone and tablet apps to its existing internet and telephone service channels. Conducting its distribution operations year-round through 89 stores in 22 cities, the number of MVM distribution points rises to 98 during the summer season with the addition of Turkey's most popular resort areas.

MVM's website was visited by an average of 1 million people a month during 2014.

Migros' Mobil Market application, the first of its kind in Turkey, accounted for 30% of total orders in 2014.

With Migros' Mobile Market app, customers can also place an order for a product by using their mobile phone's camera to read the barcode on its packaging.

The first issue of Migroskod, Turkey's first digital catalogue, was launched in 2012. By reading the catalogue's barcodes with their mobile phone, customers can put together "shopping baskets" containing whatever items they want in the convenience of their home or from wherever they may be. Migroskod was one of the biggest attention-getting developments in Turkish retailing in 2012. About a million Migroskod were printed and distributed during 2014.



The "Hayatı Kaçırma" ("Don't Miss Out On Life") TV, radio, magazine, and digital platform campaign launched by Migros Virtual Market in 2014 concentrated on its being a service that makes people's lives easier and lets them use the time they might otherwise spend shopping to do other things.

Under the "İşinize Gelsin" (Let Your Shopping Come To Your Work) program, a new service started in 2014, Migros Virtual Market orders that are placed during the day are delivered to a customer's workplace and turned over to them as they leave in the evening.

Another service to facilitate deliveries for Migros Virtual Market customers is "Geçerken Al" ("Pickup On The Way"), trials of which were initiated in 2014. Under this program, Migros Virtual Market orders that are placed during the day can be picked up from a designated Migros Jet convenience store at a PO station on the customer's route.

Electric vehicles are now being used in delivery and distribution operations to improve energy efficiency. Seven such vehicles are now in service, all of them in İstanbul.

Last year Migros Virtual Market continued to make active use of both Facebook, Twitter and Google+. Through these social media channels, Migros customers are able to keep up with ongoing campaigns and innovations while also taking advantage of special campaigns as well. MVM pages have been created on other social media platforms such as YouTube and Vimeo and these are also attracting attention and encouraging user participation.

Migros Elektronik, a virtual store that specializes in the online sale of all of the electronics, computers, home appliances, and white goods offered for sale at Migros stores, continued to serve and make sales to customers calling at www.migroselektronik.com during 2014.

Distinguished with its superior service standards and products, Macrocenter went online with the introduction of its "MacroOnline" service at online.macrocenter.com.tr several years ago. It is also accessible on its "MacroPhone" telephone order line. Previously limited to İstanbul, in 2014 both channels began to provide personalized service to customers through an expanded distribution network that now includes Ankara, İzmir, Muğla, and Antalya.

MİGROS VIRTUAL MARKET THROUGH **89 STORES** IN 22 CITIES

SHARING THE GOODNESS

Operating stores that are fully equipped with the very latest in technology and designed to ensure the most enjoyable shopping experience in different formats, Migros appeals to both the hearts and minds of 1,750,000 customers every day.

CUSTOMER SERVICE LINE
444 10 44

Because it regards customer feedback as highly valuable input when shaping company strategies, fast and effective communication is an important goal for the Migros Group at all times.

The goal of the customer-focused approach that the Migros Group adheres to is to offer service that exceeds expectations. During 2014, the Migros Ticaret AŞ Call Center communicated directly with 650,000 customers. Because it regards customer feedback as highly valuable input when shaping company strategies, fast and effective communication is an important goal for the Migros Group at all times.

Feedback concerning Migros, Tansaş, 5M, Macrocenter, Migros Jet, and Migros Virtual Market products and services that is submitted by anyone dialing 444 10 44 from anywhere in Turkey is responded to by call center units located in İstanbul and Samsun. Incoming calls are categorized according to topic, examined, and responded to within 48 hours at the latest.

Migros Group operations have been awarded TSE ISO 10002 Customer Satisfaction Management System certification. For all communications received and responded to through all communication channels, the degree of customers' satisfaction with solution effectiveness and response time and with service quality and accessibility is quantified and reported at regular intervals.

Reports whose findings are based on detailed examinations of feedback are treated as input for improvements which will contribute to the company's growth and development and which are seen as guideposts pointing to opportunities for making corrective changes. Regarding customers' opinions as a focal point of attention at all times, the Migros Ticaret AŞ Call Center constantly strives to enhance its service approach.

IN 2014 DIRECT COMMUNICATION WITH 650 THOUSAND CUSTOMERS

QUALITY MANAGEMENT

Where product wholesomeness is concerned, Migros is always guided by the highest internationally recognized standards. The company's goal is to ensure that all products are kept and displayed under the most hygienic conditions so as to be worthy of its customers' unconditional trust. With the Integrated Quality Management Systems applied in line with this goal, every product is kept under control and guarantee at every stage from its initial purchase until it reaches the final consumer.

The food and non-food products put on sale at Migros stores for the first time in 2014 were checked against the requirements of Turkish Food Codex regulations to be sure they were up to regulatory requirements before going on sale.

Since 2008, Migros has been regularly inspecting the production premises of all of its suppliers. During 2014, the Company inspected the production operations of 561 suppliers and checked them for compliance with quality and food safety management system requirements. Corrective/preventive action was initiated whenever the results of such inspections were unacceptable with follow-up inspections being performed subsequently. Agreements with suppliers who failed to pass follow-up inspections were terminated.

To verify that all food products put on Migros-owned store shelves satisfy Turkish Food Codex and other regulatory requirements, samples are regularly taken and analyzed. During 2014, 2,500 food products were analyzed for compliance with 18,065 parameters while 250 non-food items were analyzed for compliance with 3,582 parameters. Through the conduct of routine analyses, we ensure that our customers consume and use products which are wholesome and regulatorily compliant while also systematically adding value to products by ensuring that our suppliers constantly make improvements in them.

Private-label products are checked and analyzed at regular intervals both by independent accredited external agencies and in quality control labs at the company's distribution centers in order to determine their compliance with specifications and to compare them with similar products. Action plans are formulated as necessary based on the results of these analyses.

During 2014, 2,500 food products were analyzed for compliance with 18,065 parameters while 250 non-food items were analyzed for compliance with 3,582 parameters.

BEING WORTHY OF CUSTOMERS' UNCONDITIONAL TRUST

To ensure that quality and inspection processes are conducted in the most effective way possible, training on 274 different subjects was provided to 3,699 personnel by specialist teams at distribution centers.

Controlling for the residues of crop protection products on fruits and vegetables is an issue to which Migros gives particular importance. Crop protection product residue analyses are performed on 1,540 fruit and vegetable items within the framework of analyses plans formulated according to harvest seasons. These analyses are conducted at regional headquarters and distribution centers in the case of produce that they procure directly from producers and at individual stores in the case of items that are delivered directly to them. All findings, which are checked for compliance with the requirements both of the Turkish Foods Codex and of EU regulations, are reported back to suppliers.

All products shipped to distribution centers by suppliers are checked upon arrival. During 2014, 114,441 products specified for quality control laboratory checks were analyzed by quality control specialists.

A total of 264 verification inspections pertaining to quality control and food safety management systems were performed by quality specialists at distribution centers, produce regional warehouses, and wholesale warehouses. The findings of these inspections are analyzed, compiled, and used as input for initiating corrective/preventive measures.

To ensure that quality and inspection processes are conducted in the most effective way possible, training on 274 different subjects was provided to 3,699 personnel by specialist teams at distribution centers. Training on 146 different quality and food safety issues was also provided to 1,969 personal employed at produce regional warehouses.

With respect to shipping processes, vehicles are regularly inspected for compliance with food safety regulations. Smart-label time & temperature indicators are used to determine the operational effectiveness of these vehicles' onboard temperature control systems. A total of 265 vehicles used to ship fresh foods were subjected to testing.

One of the most important objectives of such inspecting and testing is to ensure that the cold chain, which is crucially important to food safety, is maintained without disruption at all times from initial acceptance and storage at distribution

114.4

THOUSAND

QUALITY-CONTROLLED PRODUCTS IN 2014

centers, during all shipping and handling processes, and until a product finally reaches the consumer.

Last year 968 unannounced verification/control inspections were performed on store quality and food safety management systems across all regions and in all formats by store quality control specialists. Under an agreement with an independent external inspection agency, 885 stores located all over Turkey were subjected to unannounced inspections. During these inspections, the agency's personnel performed 8,884 hygiene analyses.

In addition to the system verification inspections carried out by the Store Quality Control Management team, the scope of the inspection process was expanded with the introduction of "Fresh Produce Department" inspections in 2014. For this purpose, separate checklists focusing on product freshness and food safety criteria were drawn up by the team taking customers' expectations and satisfaction into account for stores' fresh meat, charcuterie, fresh produce, and baked goods sections. A total of 1,563 inspections were conducted in such sections last year.

Owing to the rapid growth and development experienced by the Migros Virtual Market as a delivery channel, the market's operational processes were subjected to advanced-level controls in line with customers' expectations, with particular attention being given to quality and food safety issues. The findings of a total of 126 unannounced inspections of this sort that were conducted last year were analyzed, compiled, and used as input for initiating corrective/preventive measures.

The specifications of products sold in charcuterie, baked goods, and nuts & dried fruits sections were reviewed and updated to bring them into compliance with food-safety and product-standardization requirements.

Operational processes for the "MineBakery Project" that has been initiated to provide freshly-baked goods to customers at stores whose premises are unsuitable for an entire department were formulated in line with food safety issues and the requirements of applicable laws and regulations.

Quality Management System inspections were performed at 860 stores and distribution centers by 238 internal inspectors. These inspections, which are carried out both to verify the effectiveness of quality management systems and to collect input for the systems' ongoing improvement, also pay attention to the occupational health & safety processes of the units being inspected. An overall 91% pass rate was reported as a result of these inspections.

Turkish Standards Institution (TSE) inspections were conducted at all stores and distribution centers on 16-19 October to check for compliance with the requirements of the company's ISO 9001:2008 Quality Management System, ISO 22000 Food Safety Management System, and ISO 10002 Customer Satisfaction Management System certifications. All inspections were successfully passed and all certifications were renewed.

Work on upgrading the ISO 10002 Customer Satisfaction Management System certification that was obtained for the first time in 2013 continued in 2014.

Work on documenting and improving occupational health & safety processes as part of the company's total quality management system continued all year long in 2014. It is anticipated that an application for OHSAS 18001 Occupational Health and Safety Management System certification will be made in 2015.

GOOD AGRICULTURAL PRACTICES

Under the 2014 GAP training calendar, GAP training was provided to 287 people employed in Migros fruit & vegetable regional departments in Antalya, Bursa, Mersin, and Samsun.

Good Agricultural Practices: Crop Production

Under the heading of its good agricultural practices (GAP) group certification activities and in order to ensure the sustainability of Migros' GAP certification, training on GAP-related principles and procedures was organized for producers who serve as Migros suppliers, a documentation structure was set up, and internal inspections were carried out after preliminaries were completed.

With the aim of increasing the number of GAP-certified suppliers with which Migros works, training in the form of pilot projects was provided to regional agricultural credit cooperatives and to suppliers of leaf vegetables, informational support and guidance was provided to those wishing to qualify for GAP certification. During 2014, consultation on GAP-related issues was provided to six suppliers and contracted producers; suppliers were also assisted in setting up their GAP quality management systems and obtaining GAP certification.

In the interval between the inclusion of GAP processes in its procurement activities and 30 November 2014, Migros purchased a total of 323,950.44 tons of GAP-certified produce.

Under the 2014 GAP training calendar, GAP training was provided to 287 people employed in Migros fruit & vegetable regional departments in Antalya, Bursa, Mersin, and Samsun.

In its efforts to increase in-company awareness of GAP issues and to improve their systematic monitoring, Migros continued to publish its weekly "Current GAP Product Portfolio List" for use by quality management system department personnel and store managers. Access was also provided to the documentation of GAP-certified produce currently being procured.

324

THOUSAND TONS

TOTAL AMOUNT OF GAP-CERTIFIED PRODUCE PURCHASED

During 2014, Migros took part in the following events in order to provide audiences with information about GAP and its processes:

15 January 2014: Çanakkale Tomato Workshop (Çanakkale)
05 October 2014: 1st Manisa Food, Agriculture, and Livestock Summit (Manisa)
10 December 2014: Good Agricultural Practices for Marketing, Production Panel (Manisa)
22 December 2014: Conference on the search for consensus on the development of Sultandağı's agricultural potential (Afyonkarahisar)

Good Agricultural Practices: Animal Husbandry (Poultry Farming)

Conscientious consumers nowadays want to know about all the production stages of the foods that they eat and this is one reason why the problem of the traceability and sustainability of food production has become a very important aspect of food safety. Such demands, which are not without their justification and first made their appearance in the livestock industry years ago, led to the introduction of the concept of "good husbandry practices" (GHP).

Migros was the first major retailer in Turkey to adopt GHP, which it introduced for its poultry outsourcing in 2013. In 2014 the company began helping its suppliers to adapt to the new system. This project, which was undertaken as a collaborative effort involving suppliers, control & certification agencies, and officials of the Food, Agriculture and Livestock Ministry, resulted in seven poultry producers qualifying for GHP certification in July 2014.

In 2013 and 2014, Migros' white meat suppliers were informed about GAP principles and procedures both through meetings and by email. As a result of GAP training conducted by TSE and ministry representatives, officers of supplier firms also qualified for "internal controller" certification.

As of July 2014, seven poultry producers were qualified for GHP certification.

GOOD AGRICULTURAL PRACTICES IN ANIMAL HUSBANDRY

DISTRIBUTION CENTER & LOGISTICS MANAGEMENT

Foremost among the issues to which attention was given at Migros' distribution centers in 2014 were those of service quality and efficiency. Thanks to effective cost management, the company's distribution center and logistical services expenditures last year were less than those of 2013.

As of end-2014, the number of distribution centers (including fresh produce and meat) was 21. The number of product groups handled at both the Bayrampaşa (İstanbul) and the Kemalpaşa (İzmir) distribution centers was increased. In territories where there is a particularly heavy distribution of fresh foods and red meats, the shipments of these two groups have been combined, thereby achieving substantial improvements in efficiency and shipping costs.

At the Gebze facility, a performance-based bonus system was initiated as a pilot project. The project appears to have resulted in significant improvements in productivity.

The distribution of fresh foods through distribution centers (instead of direct delivery by the suppliers), a procedure that was initiated in 2010, continues to be conducted effectively in all regions. This method ensures that fresh foods remain in the cold chain at every stage of distribution and that they reach consumers at the highest possible quality.

In order to better manage and optimize stores' stock levels, the practice of shipping some product groups on an item-count (rather than whole-lot) basis was extended. This system allows stores to place orders for the exact number of products they want, the effect of which is to reduce unproductive inventory costs. The number of stock-keeping units (SKU) being shipped on an item-count basis has reached 2,000.

In order to better protect the freshness and safety of food products while also reducing logistical costs, the company began using IFCO-standard reusable plastic containers (RPC) for its fresh fruit and vegetable shipments in 2013 and introduced them for its red meat shipments as well in 2014. Because they comply with ISO 22000 Food Safety Management System standards and are hygienically cleaned after every use, RPCs have significantly enhanced Migros' freshness and quality standards performance. As they are leased rather than purchased, RPCs are much more cost-effective because they eliminate the need to buy, transport, recover, store, and dispose of wood and cardboard crates.

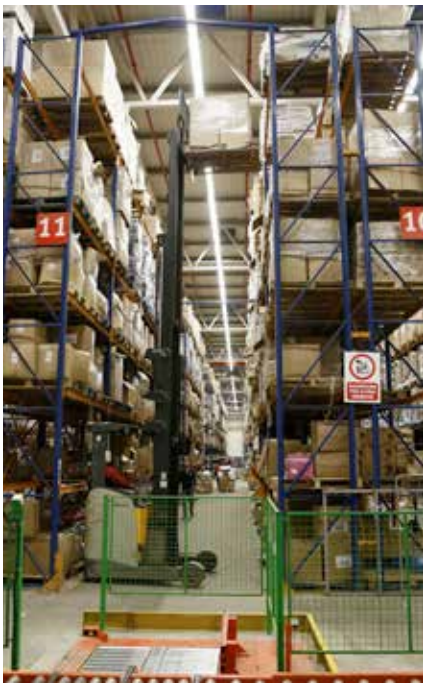
Effective use of technology makes it possible to keep track of vehicles' locations and onboard temperatures while goods are in transit. Such information is fully integrated into Migros' stock-management systems. Using a mapping app on a tablet computer, a store's managers can see exactly where a vehicle on its way to deliver goods to them is located and they can also estimate its arrival time. This allows for better workforce deployment and stock planning at the store. The infrastructure needed to integrate Migros' fresh produce management processes into the Trade Ministry's Central Wholesale Market Registration System was fully installed in 2014.

The first phase of technological improvements at the Gebze distribution center was completed with the commissioning of a 565-meter conveyor belt between the arrival and departure shipment bays. Work is currently in progress on the second phase of this project.

In 2013 a pilot project was initiated to make shipments at night between stores' opening and closing hours. This project has been extended and nearly 150 stores are currently taking part in it. Besides shortening the time between order-placement and delivery, this procedure improves shipping efficiency and allows incoming goods to be handled at stores before the doors are opened to customers.

21

NUMBER OF DISTRIBUTION CENTERS AT YEAR-END 2014



Developments in technology constantly create opportunities to introduce new practices that have a direct impact on customers and make their shopping experience more convenient and enjoyable while also improving the company's own sales, profitability, and efficiency performance.

Migros Manager
Migros Manager is a mobile information and notification platform that keeps a store's management personnel continuously on top of all the critical information they need to perform their duties.

Migros MIS
Migros MIS is a management information system developed in-house to help boost management productivity. Hosting a variety of reporting, control, analysis, and communication functions for management personnel to use, the system allows for multidimensional analysis of past, current, and projected performance.

Smart Badge
Migros Smart Badge is a WiFi-enabled electronic ID badge that contains a barcode reader. Using their Smart Badge, store employees can instantly get information about products, manage many on-premises operations, and access business process training documentation through the Migros corporate portal. A Smart Badge can even be used as an in-store instant messaging device between employees.

Investment Localization Mobile App Project
The Migros Investment Localization Mobile App is a mobile app that runs on tablets and smartphones. Making use of intelligent algorithms, it functions as a management tool and decision support system when determining possible locations at which to open new stores. The app improves the operational effectiveness and efficiency of field personnel while also saving time.

Migros VM Manager
Migros VM Manager is a project initiated to fully automate the logistical operations of the Migros Virtual Market. Intended to be an innovative and creative solution to Migros' unique product picking and delivery needs, Migros VM Manager reduces errors and losses in product picking, shipping, delivery, and collection

Developments in technology constantly create opportunities to introduce new practices that have a direct impact on customers and make their shopping experience more convenient and enjoyable while also improving the company's own sales, profitability, and efficiency performance.

MİGROS VM MANAGER

FULL AUTOMATION IN THE LOGISTICAL OPERATIONS

In keeping with the Green IT concept, bulky desktop computers are being rapidly replaced with flatscreen units. In the first year of this project 2,500 MW of electricity were saved.

processes while also shortening operational times and increasing customer satisfaction through process redesign, development, and transparency.

Migros Endless Aisle

Endless Aisle is an innovative system that uses in-store kiosks to allow customers to order products that are currently out of stock or not sold on the premises . Under the Migros Endless Aisle project, the kiosks in Migros stores have been redesigned to enhance their ergonomic features and boost performance capabilities. Touchscreens create an operational environment whose resemblance to smartphones makes the kiosk easier for customers to use. If a product is out of stock or not sold in the store a customer can use the Migros Endless Aisle function to order it and have it delivered to their home.

General Inventory Infrastructure Upgrade

The operational effectiveness of the general inventorying cycles at Migros stores has been improved by transferring all inventory functions to a new system.

Electronic Books of Account

Recently-passed legislation in Turkey makes it mandatory for companies like Migros to maintain all of their official books and records of account in electronic format. Preparations for compliance with this requirement were completed and testing began in 2014. Migros will begin moving its accounts to the new platform in 2015.

Quality Control and Audit iPad App

The Quality Control and Audit iPad App is an application which runs on Apple tablets and smartphones and enhances the efficiency and effectiveness of quality control and auditing personnel.

In keeping with the Green IT concept, bulky desktop computers are being rapidly replaced with flatscreen units. In the first year of this project 2,500 MW of electricity were saved.

Migros placed first in Turkey and second in Europe in the “Best Impact By Cloud Services” category in the EuroCloud Awards program conducted by EuroCloud, Europe’s biggest cloud-technology organization .

Migros is the first food retailer in Turkey to be awarded Payment Card Industry Data Security Standards (PCI DSS) compliance certification.

FIRST FOOD RETAILER TO BE AWARDED (PCI DSS) COMPLIANCE CERTIFICATION.

HUMAN RESOURCES & TRAINING

Migros Human Resources' objective is to have human resources who will support the Company's efforts to defend its leading position in a highly competitive industry by their being knowledgeable, customer- and process-focused, resourceful, and dynamic. In line with this approach, the Company's human resources policy is rooted in the philosophy of "Creating employees who will create competitive advantages".

At end-2014, the Migros family consisted of 20,470 people of whom 18,856 were employed in Turkey and 1,614 abroad.

During 2014, Migros received 350,000 job applications through all of the sources under its management. An average of 190 applicants were reviewed a day and 4,500 new employees were hired last year. Proactive use was also made of the company's internal recruitment system last year, with 230 positions being filled through in-house transfers and promotions.

To keep pace with the expansion in the Migros chain by the addition of new stores, Evaluation Center resources were deployed to review personnel statuses and 322 store managers and 51 part-time store manager trainees commenced their new duties. The innovative selection and placement practices that Migros uses to recruit store managers earned the company the retail-category "Peer Awards For Excellence" accolade last year.

Migros continued to manage its career planning and promotion processes by means of its Store Career Paths Program. This program, which allows employees in all stores and departments to manage their own career systematically, fairly, and objectively, received the "Most Successful Human Resource Practices" citation in the "2012 Retailing Sun Awards". In line with the Store Career Paths Program that was revised in 2014 no fewer than 98% of Migros' store management personnel were recruited from the Company's own human resources. Under the program, someone who begins working as a full- or even a part-time employee may become a floor manager after just six months and a store manager or regional sales manager after just two and a half years at the Company.

In recognition of its recruitment and hiring practices and performance, Migros received the İzmir Employment Agency's "2014 Business Employing

During 2014, Migros received 350,000 job applications through all of the sources under its management.

20,470

PEOPLE

NUMBER OF EMPLOYEES IN THE MİGROS FAMILY IN 2014

51% of its white-collar employees have been working for the Company for more than eight and a half years.

The Most Women", "2014 Business Providing The Most Jobs", and "2014 Business Employing The Most Physically Handicapped" awards.

With 72% of its personnel born between 1980 and 2000, Migros is a youthful, energetic family whose members' average age is 29. 51% of its white-collar employees have been working for the Company for more than eight and a half years.

During 2014 Migros continued its efforts to foster awareness of its human resources practices among internal and external customers, to increase perceptions of Migros as an HR brand, and to enhance the elements of loyalty. As part of this process, a number of workshops were organized under the heading of "Employer Branding". The result of all these efforts was the creation of a company HR brand logo and the slogan "Good Job – Good Future". Throughout the conduct of this transformation, continuous attention was given to what employees had to say with the result that Migros' outstanding employer brand attributes were discovered to be "Is a corporate family and trusted company", "Values ideas", "Gives importance to equality of opportunity", "Makes long-term career planning possible", and "Is innovative and gives importance to continuous improvement". A variety of projects aimed at increasing employee loyalty and internal/external customer satisfaction will also be undertaken in 2015 under the "Good Job – Good Future" logo and slogan.

Launched in 2013, the Migros Career Facebook page, the first of its kind in the Turkish food retailing industry, now has more than 31,000 followers. The "Kariyer RengiM" module added to the page in 2014 was the recipient of the "Outstanding Achievement" award in the "Human Resources" category at the international web design and innovation competition held in New York by the Interactive Media Council.

Job descriptions for positions at Migros are based on such criteria as required knowledge and skills, accountabilities, and problem-solving functions. Roles sharing common features are grouped together taking the company's vision, strategies, and goals into account and ranked according to objective criteria. The result of this process is that 22 Migros-specific "Task Families" have been defined. Job titles are structured so as to reflect the pertinent dimensions of a position based on its job description. The restructuring of the company's management, sub-management, sales management, and field operations units went into effect as of the beginning of 2014.

A "Working Life Assessment Survey" is conducted every year in order to measure and further improve the level of employee job satisfaction at Migros. The goal of this survey is to identify issues that are in need of improvement and to prioritize them accordingly. Because the survey makes it possible to analyze ways in which employee motivation and loyalty may be sustained, it provides guidance for creating the practices that will achieve both. The "Working Life Assessment Survey" has been conducted every year since 2006 by an independent research agency and it achieved a 97% personnel-coverage rate in 2014. The Migros "Hotline Forum", whose aim is to increase employee satisfaction and to address personnel-related problems in the quickest way possible, responded to more than 22,500 calls in 2014. The average number of calls dealt with was 1,875 a month.

72%

SHARE OF "Y" GENERATION IN TOTAL NUMBER OF EMPLOYEES

Specifically designed to be fair, consistent, and transparent, Migros' human resources evaluation systems make use of the most advanced technology and the most effective methods.

The objectives of the Migros Performance Management System are to:

- Make certain that the Company's strategies and goals are disseminated among and shared by employees
- Manage and evaluate employees' performance fairly, transparently, and objectively within the framework of communally-recognized Migros principles
- Provide guidance for career development and backup, total compensation package, and personal development policies that are based on actual data
- Identify and motivate employees whose performance contributes to the achievement of company goals and retain the best-quality people
- Recognize and reward, in a timely fashion, employees who perform as good as or better than what is expected of them.

In the conduct of administrative unit and store white collar personnel performance management processes, close to 5,200 evaluations are made every year. All administrative staff and store management personnel are evaluated using the Balanced Scorecard methodology in which individualized cards are created for each employee. The results of performance evaluations are used effectively in career-progression planning, to identify continuously high-performers, and in the Company's career planning and compensation systems.

Another and more comprehensive performance evaluation is embodied in the Store Personnel Performance Management process that is conducted at six-month intervals. Under this program, close to 13,000 store personnel on average are evaluated twice a year by service quality and job performance managers, who rate employees on the basis of eight basic competencies identified as being essential in the retailing industry and who also quantify their professional skills. The results of these performance evaluations play a determinative role in employees' career and progression plans.

Specifically designed to be fair, consistent, and transparent, Migros' human resources evaluation systems make use of the most advanced technology and the most effective methods.

CORP/U

ASTD Excellence in Practice

Training TOP 125

"OUTSTANDING ACHIEVEMENT" AWARD IN THE "HR CATEGORY" OF IMA

Besides these two processes, headquarters and store management personnel are subjected to so-called "360º evaluations" in which their strengths and potential weaknesses are identified so that development plans may be formulated. Such evaluations were performed for 2,900 employees in 2014. Strategic HR Planning Meetings were conducted during which the results of these evaluations were considered. The short, medium, and long-term positions of these employees in the Skill Matrix were discussed as were also their Potentials, Stars, Critical Positions, and Backup Plans. The results of performance evaluations also serve as the basis for employees' progression agreements.

Rhythm, a Workforce Management System, was one of the leading HR applications in 2014 at Migros. The "Rhythm" workforce management system which was successively introduced at a new branch every month is designed to improve the transparency, fairness, and flexibility of work practices in stores. By midyear, the system was in full operation. Introduced in order to make the work schedules in our stores systematically the fairest, the most productive, and the best capable of satisfying our customers' needs, the Rhythm project covers only checkout personnel in its first stage. Work is currently in progress to rapidly extend the scope of Rhythm to include all employees in all stores.

The Migros Reward System serves employees by recognizing and rewarding performance in seven main categories referred to as the "Migros Reward Tree". Under the Migros Reward System, employees are rewarded for demonstrating superior performance, for coming up with innovative practices that improve teamwork, for thinking up creative ideas, for contributing to the Company's growth strategy by suggesting locations for new stores, and for having a hand in Migros' success in the course of many years. From among the thousands of ideas, individual efforts, projects, and suggestions considered under the Migros Reward System in 2014, awards were handed out and reward points were granted to nearly 3,000 people in various categories. Employees may exchange their accumulated reward points for whichever enjoyable services and/or activities they like from among those shown in the Migros Rewards Catalogue.

Other efforts that have been initiated to strengthen communication, cooperation, and solidarity among employees also continue without letup. Last year the sixth in the series of Migros Sports Festivals was held in which employees from all over Turkey take part. During the course of the festival's events, 950 employees competed with one another in football, basketball, volleyball, tennis, table tennis, and chess. Awards and recognitions were handed out to successful contestants.

Migros Retailing Academy (MRA), a program that is conducted in order to contribute towards employees' development, seeks to develop human resources in line with the Company's corporate priorities and with individual and sectoral needs so as to achieve the Company's strategic objectives. MRA is structured so as to create an environment which makes continuous development an component of Migros' corporate culture and which gives employees a say in their own career development processes starting from their very first day at the Company by providing them with a choice of models, methods, and means that will be the most effective in planning their own career paths.

MRA consists of six divisions:

- Vocational High School of Merchandising
- Store Management Faculty
- Fresh Foods Faculty
- Administrative Units Faculty
- Leadership Faculty
- Complementary Programs

AWARDS TO NEARLY 3,000 EMPLOYEES IN THE MİGROS REWARD SYSTEM

MRA's curriculum consists of 228 classroom courses, 170 e-learning programs, and a recommended-reading list of 212 magazine articles and 193 books. "Virtual classroom" methods allow instructors and trainees to interact without having to be physically present in the same space. An in-house mentoring system provides developmental support at the individual level by creating opportunities to exchange knowledge and experience that goes beyond formal training.

Migros employees were provided with an average of 18 days of training in 2014. Developed in collaboration with Anadolu University, the Migros Retailing Program gives highschool graduates a chance to earn a university-equivalent degree in just two and a half years and thus overcome their lack of academic credentials. Another program conducted in collaboration with Georgia State University gives store managers a chance to learn about new trends and developments in retailing that are taking place around the world and also to visit some of the world's biggest retailers in the United States. A pre-MBA program developed jointly with Koç University gives Migros managers a chance to expand their management vision and skills. The Koç University Migros Retailing Forum, another collaboration with that institution, organizes retailing conferences which are attended by leading Turkish and international academicians and professionals and which serve as platforms for the exchange of knowledge and experience.

In 2013 Migros initiated its "Retailing School" project in collaboration with Ege University to provide the industry with the qualified personnel it needs. In 2014 this project was expanded to include Karadeniz Technical University and Anadolu University as well. Senior-year university students taking part in this program, which has been developed and is being implemented jointly by the university and Migros, are equipped with the academic knowledge they need while also being given a chance to put that knowledge to work in an actual store setting.

Seeking to add value to the Migros Group's human resources in line with the group's strategic objectives by making the most effective use of the manpower that it possesses, the Migros Retailing Academy was the recipient of eight different awards and recognitions in the international arena in 2014.

The Migros Retailing Academy was admitted to the "Training Top 125" list published by Training Magazine, a publication read by training and development professionals whose awards recognize the world's most successful learning and development programs. The American Society for Training (ASTD), a non-profit association for workplace learning and performance professionals, bestowed its "Award For Excellence" on the Anadolu University-Migros Associate/ Undergraduate Degree in Retailing Program.

CorpU, a training and development organization that runs one of the most prestigious award programs in the field of corporate learning, bestowed its "Excellence & Creativity Award in Learning" in the "Collaboration" category on the Anadolu University-Migros Associate/Undergraduate Degree in Retailing Program.

The awards garnered by Migros Retailing Academy in 2014 bring the total number of accolades received in competitions organized by institutional academies and corporate training units all over the world in which it was a finalist to eleven.

"Migros Social", a social learning and communication platform that gives Migros employees an opportunity to talk about their recollections and inspirational moments as they share in and contribute to Migros' six decades of knowledge and experience, went live in June 2014.

11

AWARDS

MİGROS RETAILING ACADEMY

HEALTH & SAFETY

Migros believes that the present and future sustainability of the workplace environment is dependent on its being healthy and safe.

Migros believes that the present and future sustainability of the workplace environment is dependent on its being healthy and safe.

In line with this belief, the company engages in an ongoing effort to promote a safety culture shared by both employees and customers alike and to contribute towards making safe behavior a habit throughout society. It was to this end that in 2013 the company set up an Occupational Health & Safety Committee whose membership consists of top-level managers and which reports directly to the Chief Executive Officer.

As the most senior management unit responsible for occupational health & safety (OHS) issues throughout Migros, this committee directed the taking of corrective measures based on risk-assessment reports and engaged in an ongoing effort to make improvements during 2014. OHS risk-assessments were performed at 1,143 stores, 11 distribution centers, and 5 fresh produce warehouses last year.

OHS committee meetings are regularly conducted at stores, distribution centers, and fresh produce warehouses whose staffs include a full-time OHS specialist and workplace physician. These specialists and physicians continued to perform their duties in 2014.

1,143

NUMBER OF STORES OHS RISK-ASSESSMENTS WERE PERFORMED

OHS training is provided to Migros personnel on a regular basis. In places where a full-time OHS specialist and workplace physician is on duty, employees are provided with classroom OHS training. Online OHS training is provided to all employees. Last year OHS classroom and OHS awareness training was provided to 10,139 employees at all locations, At the company's stores, distribution centers, and fresh produce warehouses, 577 employees received first-aid training and 1,716 employees received job-related training in 2014.

Measurements were performed at headquarters units, stores, distribution centers, and fresh produce warehouses to determine the acceptability of lighting, noise, dust, heating, etc levels.

Directives, work requests, procedures, and work orders were revised in line with OHS processes and integrated into the quality management system's documentation structure.

Because the company's operations are dispersed and encompass many different locations, software has been developed to permit systematic, centralized oversight and reporting of all OHS-related processes and activities. The functions of this system include such things as recording and investigating work-related accidents and compiling work-related accident statistics; checking employee health both at recruitment and at regular intervals; organizing and monitoring personnel training; ordering and monitoring corrective & preventive measures; organizing and conducting emergency action plans and drills; issuing and maintaining equipment records and inspection reports; formulating annual employee work, training, and evaluation plans; and maintaining OHS Committee meeting records.

Last year 4,230 employees at all locations were given health checkups both at recruitment and at regular intervals by workplace physicians. Emergency action plan training was provided and drills were conducted at stores, distribution centers, and fresh produce warehouses by fire safety officers and OHS specialists. Outside consultants accompanied by company management personnel made visits to stores, distribution centers, and fresh produce warehouses where OHS processes and practices were inspected and corrective/preventive measures were taken as necessary.

Because the company's operations are dispersed and encompass many different locations, software has been developed to permit systematic, centralized oversight and reporting of all OHS-related processes and activities.

10,139

NUMBER OF EMPLOYEES THAT RECEIVED OHS AWARENESS TRAINING

A project to collect a fifth category of waste–electrical/electronic–has been initiated at the company's Macrocenter, 5M Migros, MMM Migros, MM Migros, Maxi Tansaş, and Midi Tansaş stores.

The goals of waste management strategies are both to prevent the rapid depletion of natural resources and to transform waste from being a threat to human and environmental health into an economically valuable input. Seen as an increasingly more high-priority policy objective throughout the entire world, such strategies provide the foundation for any sustainable development approach.

One of the most important problems in the successful economic recovery of waste is that it be separated and sorted at its source. Attention to this issue is part of the training given to Migros store personnel, who are also provided with practical and material assistance in the form of color-coded sacks, signage, waste-disposal charts, and so on.

Four separate bins (one each for paper, plastic, metal, and glass) into which customers are encouraged to dispose of packaging waste that they bring are installed at every store. "Environmental Kiosks" that have been installed at some stores serve as focal points for a variety of other projects whose aim is to encourage customers to bring such waste.

A project to collect a fifth category of waste–electrical/electronic–has been initiated at the company's Macrocenter, 5M Migros, MMM Migros, MM Migros, Maxi Tansaş, and Midi Tansaş stores. The stores that are taking part in this project are identified on the Migros corporate website. Customers who bring such waste to one of these stores for disposal receive a certificate issued by the store and stating that they have done so. All such waste is sent to recycling facilities belonging to organizations that are licensed by the Ministry of Environment and Urban Planning (CSB). During 2014, a total of 72.23 tons of electrical and electronic waste was collected and sent for disposal in this way.

Under an agreement with TAP (Portable Battery Manufacturers & Importers Association), which is the sole agency authorized by CSB to collect, transport, store, and dispose of portable batteries , battery-collection bins have been installed in all stores. Last year a total of 0.917 tons of such waste was surrendered to TAP.

In some stores, organic waste is set apart at source, collected, and sent to a licensed facility where it is used to make biogas and compost. During 2014, 6,213 tons of organic waste was collected and disposed of in this way. From this waste, 621,300

72.23

TONS

ELECTRONIC WASTE RECYCLED IN 2014

m^3 of biogas and 3,212 tons of compost were produced.

Waste vegetable oil is collected at distribution centers and then sent to CSB-licensed firms for conversion into biodiesel fuel. During 2014, a total of 20.73 tons of used vegetable oil was collected and disposed of in this way.

Under Migros' long-standing agreement with the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), another authorized waste-collection, disposal, and recycling agency, packaging materials used by the manufacturers of Migros private-label products are collected and recycled. Migros is also a ÇEVKO member. Owing to its contractual relationship with the foundation, Migros private-label product packaging is entitled to display the ÇEVKO Green-Dot emblem.

Both in line with its own environmental awareness and as required by Turkish laws and regulations, Migros is engaged in a variety of projects to reduce the quantities of single-use plastic shopping bags and pouches that are provided to customers. Techniques for reducing their use are part of the training provided to store cashiers while reusable shopping bags are available for sale at checkout points. Single-use bag and pouch specifications are reviewed and optimized in order to reduce the amount of plastic in each one. As required by law, every February the company files a report with CSB indicating what it did during the previous year to reduce single-use bag and pouch use.

2013 Corporate Carbon Footprint (Greenhouse Gas Inventory)

Although greenhouse gas emission reporting is not currently mandated in the Turkish retailing industry, Migros has nevertheless voluntarily inventoried the sources of such emissions generated at all of its stores, distribution centers, fresh produce warehouses, and regional units as well as at its MİGET Integrated Meat Processing Plant. As reported by the company, the "Corporate Greenhouse Gas Emissions" resulting from all of its operations in 2013 amounted to 269,387 metric tons of carbon dioxide equivalents .

Migros seeks to improve its greenhouse gas emissions performance by calculating its greenhouse gas emissions annually, comparing them with those of previous years, and finding ways to reduce them in the future.

Although greenhouse gas emission reporting is not currently mandated in the Turkish retailing industry, Migros has nevertheless voluntarily inventoried the sources of such emissions generated in 2013.

6,213
TONS

ORGANIC WASTE COLLECTED

SUSTAINING THE GOODNESS

Shaping all of its business processes with a mindfulness for ecological as well as economic concerns in keeping with its "Do you good" motto, Migros is the only retailer to be admitted to the recently-created BIST Sustainability Index

Besides adding value to people's lives through the innovative practices, Migros also engages with consumers in special projects aimed at supporting good living.

The inclusion of the Migros Group as the sole representative of Turkey's retailing industry in Borsa İstanbul's recently-launched BIST Sustainability Index is further evidence of the importance that Migros gives to nature- and people-friendly business processes. While appealing to the hearts and minds of its customers for four generations, Migros has also been contributing to the wellbeing not just of its customers but of its employees, suppliers, and other stakeholders as well as through sustainable projects aimed at conserving depletable resources. Migros identifies issues affecting society that are in need of attention and works with charitable foundations, associations, and NGOs to resolve them. As the recipient of "Turkey's best-liked retailer" citation for eleven years in a row, in 2014 Migros also placed first in the retailing category of the year's Lovemark survey . In keeping with its "Do you good" motto, Migros continues to author practices that are models for new-generation retailing.

Living well does all of us good...

Besides adding value to people's lives through the innovative practices that it has been introducing to the retailing industry for sixty years, Migros also engages with consumers in special projects aimed at supporting good living. Having directly addressed the source of healthy nutrition by committing itself to good agricultural practices in the fresh fruits and vegetables that it outsources and by creating the Turkish retailing sector's first and biggest fully-integrated meat processing plant, Migros combined wholesome nutrition and healthful activity together with its "Get Moving" project under the "Good Living" banner. Users of the "My Migros Store" app running on smartphones and tablets who click on the "Get Moving" tab and select the city they live in get information about where and when "Healthy Living" walks and other events are taking place while also casting a vote for that city. As a result of this contest, which attracted tremendous public attention, three cities emerged as the most active: Erzincan, İstanbul and Sakarya. Projects are now under way to create Healthy Living walk-ways in all three .

Hand-in-hand for the future...

The Migros Children's Theater is Turkey's most enduring social responsibility project concerned with the theatrical arts. Conducted with the slogan "Hand And Hand Into Tomorrow", the Migros Children's Theater has given 300,000 children in 53 provinces a chance to enjoy theatrical performances in the course of a decade. Celebrating its 10th anniversary with the 2014-2015 season, the Migros

WHOLESOME NUTRITION AND HEALTHFUL ACTIVITY WITH THE "GET MOVING" PROJECT

Children's Theater spent seven months on tour traveling and mounting performances all over the country. The Crafty Candyman, the new season's offering written and directed by Enis Fosforoğlu, focuses on the essential importance of good nutrition and activity to good living. The play, which is scheduled to be performed in Erzincan, Erzurum, Kars, Kayseri, Niğde, Eskişehir, Mardin, Diyarbakır, Gaziantep, Bursa, Bozüyük, Sakarya, Hatay, Adana, Antalya, Denizli, Aydın, Uşak, Samsun, Ordu, and Giresun is already proving to be very popular with local audiences wherever it goes. The Migros Children's Theater's goal is to reach at least 15,000 children this season.

Migros has also been collaborating with the Turkish State Theater for 20 years in the staging of plays for children for two weeks every spring as part of Children's Day celebrations. To date, about half a million children have attended such performances free of charge thanks to Migros' support.

National Sovereignty & Children's Day (April 23rd) also provides an occasion for Migros to join hands with its customers and organize activities for needy children in different parts of the country. During the week around the 23rd, customers are encouraged to purchase toys, books, and stationery from Migros, Tansaş, 5M Migros, and Macrocenter stores to be donated anonymously to the Educational Volunteers Foundation of Turkey, which hands them out as gifts to underprivileged kids all over Turkey.

"Green" retailing

In collaboration with the Aegean Forest Foundation, 527,250 saplings have been planted in the course of seven years to replace fire-ravaged forested areas in Aegean Turkey's Dikili, Torbalı, Şirince, Çeşme, Seferihisar, and Urla townships. Olives grown in the same foundation's groves are stocked and sold at stores with the proceeds being used to create new forests in other locales. Such forests, which provide living spaces for many different species, are another example of the importance that Migros gives to biodiversity.

The "Recycling Kiosks" located at the company's stores have contributed to environmental health and economic wellbeing by collecting an estimated 8.2 million items of waste so far. Besides bringing in waste for recycling, Migros' eco-conscientious customers have a

Conducted with the slogan "Hand And Hand Into Tomorrow", the Migros Children's Theater has given 300,000 children in 53 provinces a chance to enjoy theatrical performances in the course of a decade.

8.2

MILLION ITEMS

AMOUNT OF WASTE COLLECTED "RECYCLING KIOSKS"

As a member of ÇEVKO, the Migros Group also supports that foundation in its efforts to recover, recycle, and reuse waste.

chance to express their environmental concerns by purchasing eco-friendly cloth shopping bags, adopting an endangered-species sea turtle, and contributing a sapling to be planted in the Migros Customers Forest.

Another Migros environment project is the "Integrated Waste Management Plan", whose ultimate aim is to reduce waste to zero. Instead of automatically sending waste generated by store operations somewhere to be thrown away, a decision is made as to the best way to deal with it. For example the 224 tons of waste paper that was disposed of in this way corresponds to the amount of oxygen used by 274,176 people in one day . As a member of ÇEVKO, the Migros Group also supports that foundation in its efforts to recover, recycle, and reuse waste.

Under a project to collect electrical and electronic waste that is being conducted at Macrocenter, 5M Migros, MMM Migros, MM Migros, Maxi Tansaş, and Midi Tansaş stores, customers are encouraged to bring all forms of such waste ranging from big and small home appliances to lighting fixtures, sports equipment, and information technology products. To ensure optimized recovery, all such waste is sent to facilities belonging to and operated by organizations that are licensed by the environment ministry.

To increase public environmental consciousness and awareness, Migros engages with consumers in a variety of ways. One such was a social responsibility project that Migros undertook to mark World Environment Day (June 5th) and involved cleaning up a section of the waterfront at Caddebostan, one of the most popular seaside areas on the Asian side of İstanbul. In an event dubbed "It's our environment, it's our shore", volunteer Migros employees picked up trash all along the shore while interacting with the public and promoting eco-awareness. This environmental project, which was initiated by Migros employees, was also supported by the public-awareness efforts of the Clean Sea Association, the Caddebostan Divers' Club, and ÇEVKO.

Lifelong Sport – Lifelong Health

The "Special Support For Special Athletes" campaign that has been going on for nine years is a Migros-sponsored social responsibility project in sports. Some of the proceeds from the Proctor & Gamble goods sold in Migros stores are donated to the Special Olympics Turkish Committee in order to encourage mentally disabled youths to engage in sports. This campaign also seeks to involve people who wish to support both sport activities and athletes with special disabilities.

224

TONS

"INTEGRATED WASTE MANAGEMENT PLAN"

Since 2004, 7.3 million Migros customers have taken part in efforts to encourage nearly 5,000 specially-challenged youths to embrace life through sport, to gain self-confidence, and to play a more active role in everyday life. Athletes contending in national and international competitions have earned a total of 124 medals to date.

The "Help The Handicapped Shop" program introduced at Tansaş stores in 2011 has proven to be very popular and it continues to attract ever more interest. Under this program, store employees are assigned to accompany handicapped customers and to help them while they do their shopping. In "Let Me Carry That For You", another program at Tansaş stores intended for people aged 65 or older, store personnel accompany elderly shoppers and carry their purchases as they return home. Under the "Good Health With Tansaş" program, people are encouraged to take part in sports under the supervision of trainers six days a week. This program, which is free of charge, continues to attract attention and new participants.

Through the "Clothes Donation Campaign" that Migros has been conducting jointly with Ariel (a detergent-maker) since 2007, both new and hand-me-down garments have been given to more than 160,000 children. Under this campaign, which is very popular with customers, customers deposit garments that their kids have grown out of in designated bins at Migros stores. These are collected at the end of the campaign and washed (using Ariel detergent naturally) and then donated to the Community Volunteers Foundation, which hands out the freshly-cleaned clothes to needy children.

Supporting education

A Migros-supported campaign whose aim is to encourage a love of reading is a collaboration with the Books For Everybody Foundation. In 2013 the foundation set up stands at five Migros stores to collect books donated by customers, which it then handed out to people all over the country. In 2014, the scope of the project was expanded to encompass all Migros stores everywhere in Turkey. "Books For Everybody Foundation" bins were set up in stores and customers were invited to put in them books that they brought from home or purchased at a discount from the store. To date, a total of 47 thousand books have been donated under the "Books For Everybody" campaign.

The "Help The Handicapped Shop" program introduced at Tansaş stores in 2011 has proven to be very popular and it continues to attract ever more interest.

47,000 BOOKS IN 70 CITIES THROUGH "BOOKS FOR EVERYBODY FOUNDATION" IN 2014

During 2014 Migros provided assistance to a number of socially beneficial agencies and organizations.

Migros supports the efforts of non-governmental organizations through a number of its seasonally conducted campaigns. In 2014 for example a portion of the proceeds from the sale of products in its October-November "Mother & Child" catalogue were donated to the Turkish Foundation For Children In Need Of Protection in order to support the foundation in its efforts to educate and help children at risk to become socially beneficial individuals.

Celiac-awareness pins whose manufacture Migros paid for on behalf of the Living With Celiac Association were turned over to the association's officers. The pins are being sold by the association in order to generate revenue for it.

Last year Migros supported the education of underprivileged children by donating primary school pencil cases to the They're All Our Kids Education & Learning Support Association.

Migros donated 700 books to the Çanakkale Onsekiz Mart University library in support of the "One Million Books For Fallen Heroes" campaign started by that university.

A "Let Another Child Read" book-donation campaign conducted by the 21st Century Education & Culture Foundation was supported for six months by allowing the foundation to install book-collection bins at the company's Cevahir Migros, Akaretler Migros, and Trump Towers Migros stores.

It's Everyone's Duty To Support!

Under an agreement between Migros and the Animal Rights Federation (HAYTAP) products at some Migros stores that have passed their sell-by date are donated to the federation in support of its efforts to feed stray animals.

Social assistance

During 2014 Migros provided assistance to a number of socially beneficial agencies and organizations.

- Computers were donated to the Beşiktaş branch of Turkish Red Crescent.
- Laptops, notebooks, and scanners were donated to the Turkey Journalists Association Press Museum.
- Food parcels were donated to Turkish Red Crescent during the month of Ramadan.
- Donations were directly made to the Foundation For The Training And Protection Of Mentally Handicapped Children and to Turkish Red Crescent during the Feast of Sacrifice holiday.

Migros made donations totaling TL 333,945.97 to socially beneficial agencies and organizations in 2014.

SUPPORT TO FEED STRAY ANIMALS IN COOPERATION WITH HAYTAP

In 2014 the Company adhered to a growth policy similar to that of the previous year and opened a total of 199 new stores. In Turkey these consisted of 64 Migros format, 15 Tansaş format, 109 MigrosJet format, 5 Macrocenter format, and 3 5M (hypermarket) format stores. In its international operations, the Company opened 1 Ramstore in Macedonia and 1 in Kazakhstan. At end-2014, the Company's store portfolio contained 1,190 stores whose aggregate sales space amounted to 952,616 m^2. The latter figure corresponds to a net year-on increase on the order of 6.2%.

Migros' consolidated sales reached TL 8,123 million in 2014, 5.4% of which were generated by the Company's international operations. Our consolidated sales performance corresponds to a year-on rise of 14%. Consolidated gross profit was similarly up by 14.3% year-on and reached TL 2,166 million. Gross profit margin in 2014 weighed in at 26.7%, slightly higher than the previous year's 26.6%. Last year Migros booked earnings before interest, taxes depreciation, and amortization (EBITDA) worth TL 532 million (13.4% higher than TL 469 million in 2013) and an EBITDA margin of 6.5% while its earnings before interest, taxes, depreciation, amortization, and rent costs (EBITDAR) amounted to TL 934 million (14.9% higher than TL 813 million in 2013) and its EBITDAR margin increased to 11.5%.

Net financing costs, which amounted to TL 615 million in 2013, fell to TL 50 million in 2014. Owing to the depreciation of the euro against the Turkish lira last year, TL 98 million was booked as exchange rate gains.

As a result of its successful operations last year, Migros booked a pre-tax profit of TL 184 million and an after-tax (net) profit of TL 99 million in 2014.

Migros booked an EBITDA of TL 532 million with an increase of 13.4% and an EBITDA margin of 6.5%. Its EBITDAR amounted to TL 934 million with an increase of 14.9% and its EBITDAR margin increased to 11.5% from 11.4%.

14.3%

INCREASE IN CONSOLIDATED GROSS PROFIT IN 2014

2014 GENERAL ASSEMBLY MEETING AGENDA

Migros Ticaret A.Ş.
09 April 2015 Time: 12:00
Atatürk Mahallesi Turgut Özal Bulvarı No: 7
34758 Ataşehir - İstanbul

1. Opening the meeting and electing the presiding committee; authorizing the presiding committee to sign the minutes of the annual general assembly meeting,

2. Reading, deliberating, and voting on the summary of the independent auditor's report submitted by the independent auditors DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited), concerning the Company's 2014 activities and accounts,

3. Reading, deliberating, and voting on the financial statements for 2014,

4. Reading, deliberating, and voting on the Board of Directors' report and the annual report, both concerning the Company's 2014 activities and accounts,

5. Individually acquitting each of the members of the Company's board of directors of their fiduciary responsibilities for the Company's activities in 2014,

6. Discussing, approving, amending and approving, or rejecting the Board of Directors' proposal concerning dividend distribution,

7. As required by Capital Markets Board regulations and by Corporate Governance Principles, providing information about the Company's dividend payment policy for 2014 and the years that follow,

8. Provided, and to the extent, that necessary permissions have been obtained from the CMB and the T.R. Ministry of Customs and Trade, approval or rejection of the Board of Directors' proposed amendments to the current versions of "Article 16 - Board of Directors", "Article 17 – Term of Office and Duties of the Board of Directors", and "Article 19 –Meeting and Resolution Quorums of the Board of Directors" of the Company's articles of association, and authorizing the Company Management for handling all necessary formalities regarding the amendment of the articles of association,

9. Election and replacement of the independent Board members and other members of the Board of Directors nominated by the Corporate Governance Committee, and determination of their terms of office,

10. As required by Capital Markets Board regulations and Corporate Governance Principles, providing information about and voting on the Company's Board of Directors and senior managers "Remuneration Policy" as well as payments which have been made pursuant to that policy,

11. Determining the gross monthly fees and any kind of financial benefits including bonus, premium, attendance fee, etc. to be paid to the Board members,

12. As required by Capital Markets Board regulations and Corporate Governance Principles, providing information about the Company's "Disclosure Policy",

13. Providing information about the socially beneficial donations and assistance granted by the Company to foundations and associations in 2014; determining an upper limit on donations and assistance to be granted in 2015 as required by Capital Markets Board regulations and the Company's Articles of Association,

14. As required by Capital Markets Board regulations and Corporate Governance Principles, providing information about the Company's "Donation Policy" regarding the socially beneficial donations and aid to be granted by the Company to foundations and associations,

15. Voting on the Board of Directors' selection, upon the recommendation of the Audit Committee, of the Company's independent auditors as required by Communique on capital market independent auditing standards published by the Capital Markets Board and by the Turkish Commercial Code,

16. As required by Capital Markets Board regulations, providing information about collateral, pledges, and mortgages granted by the Company in favor of third parties in 2014,

17. Authorizing any shareholders who may be in control of the Company's management, Board of directors and senior managers – as well as their spouses and their relatives, whether by blood or marriage unto the third degree – to engage in business and transactions subject to the provisions of articles 395 and 396 of the Turkish Commercial Code and of Capital Markets Board regulations; providing shareholders information about such transactions made by these aforementioned persons and related parties in 2014,

18. Closing remarks.

Board of Directors	
Fevzi Bülent Özaydınlı	Chairman
Nicholas Stathopoulos	Member
Stefano Ferraresi	Member
Ömer Özgür Tort	Member and General Manager
Giovanni Maria Cavallini	Member
Glen Allen Osmond	Member
Jacob Cornelio Adriano de Jonge	Independent Member
Tayfun Bayazıt	Independent Member
Hakkı Hasan Yılmaz	Independent Member
Senior Management	
Ömer Özgür Tort	General Manager
Ahmet Fuat Yanar	Assistant General Manager (Migros, 5M and Macrocenter Operations)
Erkin Yılmaz	Assistant General Manager (Finance)
Demir Aytaç	Assistant General Manager (Human Resources and Industrial Relations)
Cem Lütfi Rodoslu	Assistant General Manager (Marketing)
Hakan Şevki Tuncer	Assistant General Manager (Tansaş Operations)
Tarık Karlıdağ	Assistant General Manager (Construction)
Mustafa Murat Bartın	Assistant General Manager (IT and Alternative Sales Channels)
Audit Committee	
Tayfun Bayazıt	Committee Chairman
Hakkı Hasan Yılmaz	Committee Member
Corporate Governance Committee	
Hakkı Hasan Yılmaz	Committee Chairman
Nicholas Stathopoulos	Committee Member
Affan Nomak	Committee Member
Early Detection of Risk Committee	
Jacob Cornelio Adriano de Jonge	Committee Chairman
Tayfun Bayazıt	Committee Member
Stefano Ferraresi	Committee Member
Erkin Yılmaz	Committee Member

Board of Directors

The Migros Board of Directors consisted of nine members in 2014: Fevzi Bülent Özaydınlı (Chairman), Nicholas Stathopoulos, Stefano Ferraresi, Ömer Özgür Tort, Giovanni Maria Cavallini, Glen Allen Osmond, Jacob Cornelio Adriano de Jonge, Tayfun Bayazıt, and Hakkı Hasan Yılmaz.

At the Company's annual general assembly meeting on 28 June 2012, Fevzi Bülent Özaydınlı, Nicholas Stathopoulos, Stefano Ferraresi, Ömer Özgür Tort, Giovanni Maria Cavallini, and Glen Allen Osmond were elected to seats on the Board of Directors as board members while Jacob Cornelio Adriano de Jonge, Tayfun Bayazıt and Hakkı Hasan Yılmaz were elected to serve as independent board members.

At a general assembly meeting held on 10 April 2014, shareholders voted to pay independent board members a fee of TL 17,000 (gross) for each board meeting they attend and not to pay any attendance fees to other board members.

The Board of Directors is authorized to take decisions about all matters except those which are reserved to the general assembly under the Turkish Commercial Code or by the Company's articles of association.

Under article 17 of the articles of association, board members serve for three-year terms unless a shorter term of office is specified at the general assembly meeting at which they are elected. A board member whose term of office expires may be reelected. Shareholders assembled in a general assembly meeting may, for just cause and at any time that they deem such action to be necessary, dismiss any board member whether or not such an item is on the meeting agenda.

In compliance with CMB regulations and the new provisions of the Turkish Commercial Code, an audit committee, a corporate governance committee, and an early detection of risk committee have been set up at the Company. The duties of a nominating committee and of a remuneration committee are performed by the Migros Corporate Governance Committee.

At a meeting of the Migros Board of Directors held on 9 October 2012:

- It was decided that the Audit Committee will consist of two independent directors. Hakkı Hasan Yılmaz and Tayfun Bayazıt were elected to fill these seats, with Tayfun Bayazıt being chosen to serve as a committee chairman.

- Hakkı Hasan Yılmaz, Nicholas Stathopoulos, and Affan Nomak were elected to seats on the Corporate Governance Committee, with Hakkı Hasan Yılmaz being chosen to serve as a committee chairman.

- Tayfun Bayazıt, Jacob Cornelio Adriano de Jonge, Stefano Ferraresi, and Erkin Yılmaz were elected to seats on the Early Detection of Risk Committee, with Jacob Cornelio Adriano de Jonge being chosen to serve as a committee chairman.

Senior Management

Migros Senior Management consists of Ömer Özgür Tort (general manager) and of Ahmet Fuat Yanar, Erkin Yılmaz, Demir Aytaç, Cem Lütfi Rodoslu, Hakan Şevki Tuncer, Tarık Karlıdağ, and Mustafa Murat Bartın (assistant general managers).

Under Migros' articles of association, senior executives are chosen and appointed by the Board of Directors.

Independent Auditing

Article 400 of the Turkish Commercial Code concerning auditors 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 a meeting of the Board of Directors on 04 March 2014, the board, acting upon the recommendation of the Audit Committee and in compliance with the requirements of CMB Communique on capital market independent auditing standards and of the Turkish Commercial Code, decided to select DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) to be the Company's independent auditor for 2014 fiscal year subject to the provisions of capital market laws and regulations and of the Turkish Commercial Code. This decision was approved at the general assembly of shareholders on 10 April 2014.

Audit Committee

Tayfun Bayazıt and Hakkı Hasan Yılmaz were elected members of the Audit Committee as statutorily mandated by Capital Markets Board Communique X:22 and by the CMB's communique on the establishment and implementation of corporate governance principles.

Having completed its auditing work and its study of the independent auditors' report as of 31 December 2014, the Audit Committee informed the Board of Directors of its opinion that the consolidated financial statements prepared in accordance with the CMB-published accounting principles pursuant to the provisions of the CMB Communiqué no. II-14.1 on Principles of Financial Reporting in the Capital Market presented a true and fair view of the financial position of the Company as of 31 December 2014 and of its operating results on the date.

The Audit Committee convenes four times a year and submits written reports of its activities directly to the Board of Directors.

Changes in the Articles of Association

No changes were made to the articles of association in 2014.

At the Company's Board of Directors meeting held on 29 January 2015, the Board passed a decision to:

Amend "Article 16 – Board of Directors", "Article 17 – Term of Office and Duties of the Board of Directors", and "Article 19 – Meeting and Resolution Quorums of the Board of Directors" of the Company's articles of association; to file applications with the CMB and the T.R. Ministry of Customs and Trade for obtaining the necessary permissions for the proposed amendments, and to lay down the proposed amendments for the approval of shareholders at the next general assembly meeting upon receipt of the necessary permission.

In this framework, permissions for the amendments to the articles of association have been received from the CMB on 27 February 2015 and from the T.R. Ministry of Customs and Trade on 03 March 2015. The said changes to the articles of association will be presented for the approval of the general assembly at the first general assembly meeting to be convened.

The new versions of the said articles of the Company's articles of association are accessible in the Company's material event disclosures published on the Public Disclosure Platform (KAP) and our corporate website at www.migroskurumsal.com

Capital Structure

Name	Share (%)	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**

Changes in Paid-in Capital during the Reporting Period

On 13 November 2014, MH Perakendecilik ve Ticaret A.Ş. ("MH"), a shareholder of the Company, informed our Company that it has transferred its shares in the Company's capital with a total nominal value of TL 27,371,000 at a price of TL 26 per share to Moonlight Capital S.A., the sole and principal shareholder of MH.

On 31 December 2014, MH Perakendecilik ve Ticaret A.Ş. ("MH"), a shareholder of the Company, informed our Company that it has transferred its shares in the Company's capital with a total nominal value of TL 26,937,336 at a price of TL 26 per share to Moonlight Capital S.A., the sole and principal shareholder of MH, for the purpose of restructuring the shareholding of MH Perakendecilik ve T.A.Ş. and Moonlight Capital S.A. in our Company within the group.

Migros' Position in the Sector and Investments in 2014

Migros Ticaret A.Ş. operates in the foods and consumer products sector. The Company is both a retailer that sells such products directly to consumers and a wholesaler that sells them to other retailers. The Company also operates shopping malls in Turkey and in other countries through its foreign subsidiaries.

As of end-2014, the Company had 1,190 stores consisting of 319 M, 213 MM, 79 MMM, 273 Migros Jet, 24 5M, 128 Mini, 54 Midi, 30 Maxi, and 28 Macrocenter stores located in all seven of Turkey's geographical regions and, through its international subsidiaries, 27 Ramstores in Kazakhstan and 15 Ramstores in Macedonia.

In 2014, new openings consisted of 64 Migros (44 M, 16 MM, and 4 MMM), 109 Migros Jet, 15 Mini Tansaş, 3 5M hypermarket, and 5 Macrocenter stores in Turkey; in its international operations, 2 Ramstores opened in Kazakhstan and another one opened in Macedonia. Thus a total of 199 new store investments went into service last year.

Financial Standing, Dividend Distribution Proposal, Conclusion

Financial Standing

Migros' operational results are compiled in accordance with CMB Financial Reporting Standards, which are themselves based on TMS/TFRS.

In 2014, Migros increased its consolidated sales to TL 8,123 million, translating into a 14% increase as compared with the 2013 figure of TL 7,127 million. With this performance, the Company fulfilled its target of achieving double-digit growth last year. Consolidated gross profit was up by 14.3% year-on and reached TL 2,166 million in 2014. In order both to strengthen its competitive position in the sector and to boost its market share, Migros continued to invest in prices–particularly in the private label and fresh foods groups–all year long. In the four years beginning with 2010, the Company's annual consolidated gross profit margin improved steadily from 25.7%, to 26.0%, to 26.3% and to 26.6%. This trend continued in 2014 with the consolidated gross profit margin reaching 26.7%. Migros' consolidated operating profit was TL 235 million while its profit margin weighed in at 2.9%.

In 2013, Migros booked an earnings before interest, taxes depreciation, and amortization (EBITDA) figure of TL 469 million. In the twelve months to end-2014, this increased by 13.4% and reached TL 532 million, a figure that corresponds to 6.5% of sales.

In 2014, Migros' financial income declined to TL 50 million from TL 615 million in 2013. Owing to the depreciation of the Turkish lira against euro in 2014, the Company's net gains on exchange differences amounted to TL 98 million.

After posting a pretax loss of TL 385 million and a net loss of TL 463 million in 2013, Migros booked a pretax profit of TL 184 million and a net profit of TL 99 million in 2014.

Total liabilities correspond to 84% of total liabilities and equity (2013: 86%). 31% of the Company's total assets consist of current assets (2013: 34%) with non-current assets making up the remaining 69% (2013: 66%).

Profit Distribution Proposal & Conclusion

Within the framework of (1) principles set forth in the Capital Markets Board (CMB) Communiqué II-19.1 on Dividends, (2) of the relevant provisions of our Company's articles of association, and (3) of our Company's publicly disclosed profit distribution policy, our consolidated financial statements for 2014, which have been prepared in accordance with the Turkish Commercial Code (TCC) and CMB regulations, show a net current profit of TL 98,506,629.20. It has been decided to propose to the general assembly of shareholders at the annual meeting that the profit for the period be set aside as extraordinary reserves and that no dividend be paid for the year. There is no need to set aside First Legal Reserves as the legal limit has already been reached. Distribution of dividends has not been proposed for the year in order to further strengthen the Company's existing balance sheet structure and to ensure healthier management of the future cash flow. It is intended to use the profit for the period to fulfill the Company's operating capital requirements in relation to the coming period, and to finance the new investments to be undertaken.

Conclusion

This concludes our report of our Company's 2014 activities and results.

We hereby submit for your consideration and approval our Company's consolidated balance sheet and income statement dated 31 December 2014.

Very truly yours,

The Board of Directors

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Migros Ticaret A.Ş. attaches great importance to the implementation of corporate governance principles as prescribed by capital market laws and regulations, the Turkish Commercial Code, and other regulatory requirements. Migros is aware of the benefits that the implementation of these principles will have for the Company, for its shareholders, and ultimately for the country as a whole. Our corporate governance practices are constantly being reviewed and improvements are made in them where necessary both so that we may be in compliance with Corporate Governance Principles Communique II-17.1 and so that we may be an exemplary company on such issues. Our corporate governance principles compliance report is prepared as indicated in Capital Markets Board Bulletin 2014/02 dated 27 January 2014 and in the format specified in that board's resolution 2/35 of the same date.

Our Company has adopted the main principles of Corporate Governance which are:

a) Fairness

b) Transparency

c) Responsibility

d) Accountability.

A corporate governance committee was formed within the Board of Directors in 2007 and charge with overseeing corporate governance matters throughout the Company and with supervising the Investor Relations Department. Capital market laws and regulations mandate that a corporate governance committee be set up and that its head be chosen from among the Company's independent board members. In a board resolution passed on 9 October 2012, Hakkı Hasan Yılmaz, Nicholas Stathopoulos, and Affan Nomak were elected to seats on the corporate governance committee and independent board member Hakkı Hasan Yılmaz was made committee chairman.

Our corporate website (www.migroskurumsal.com) is updated daily in order to provide more extensive information on the Company to our shareholders. In addition, dedicated websites are available on each of our Company's formats for the information of the general public and our shareholders. In addition to forming a part of its annual report, Migros' corporate governance principles compliance report may also be found in the "Investor Relations" section of its corporate website located at www.migroskurumsal.com.

Within the scope of the efforts to achieve alignment with Corporate Governance Principles in 2014;

The most recent version of the Company's articles of association that are in conformity with the Turkish Commercial Code and the Capital Market Law are posted on the corporate website (www.migroskurumsal.com).

As required by the Capital Markets Law's communique's stipulation that announcements about general assembly meetings must be made at least three weeks before the meeting date, our Company's general assembly meeting was duly announced three weeks in advance of the date on which it was to be convened. A general assembly meeting information document containing information about such issues as board members' CVs, the Company's dividend policy, the Board of Directors' profit distribution proposal and schedule, changes in the articles of association with old and new texts presented for purposes of comparison, the Company's remuneration policy, internal guidelines for General Assembly meetings, disclosure policy, and donation policy is also made available to shareholders on the corporate website at www.migroskurumsal.com.

In compliance with the Turkish Commercial Code, with capital market laws and regulations, and with corporate governance principles communiques, the Board of Directors has set up an Early Detection of Risk Committee. Tayfun Bayazıt, Jacob Cornelio Adriano de Jonge, Stefano Ferraresi, and Erkin Yılmaz were elected to be the members of the Early Detection of Risk Committee. As required by CMB regulations, Jacob Cornelio Adriano de Jonge was elected to its head.

Our Company has become a member of the Investor Relations Association of Turkey in 2012.

PART I - SHAREHOLDERS

2. 1 Investor Relations

The Investor Relations Department was set up under the responsibility of the assistant general manager for financial affairs. The Investor Relations Department acts in compliance with the requirements of Turkish Commercial Code, capital market laws and regulations and with CMB regulations, communiques, and principles in the conduct of its activities. The Investor Relations Department is actively involved in making it easy for shareholders to protect and exercise their rights, including but not limited to, their rights to obtain information and to examine the Company's records.

- Manage general assembly meeting-related matters in compliance with the requirements of laws and regulations and of the Company's articles of association;
- Conduct matters related to share capital increases;
- Conduct matters related to dividend payments;
- Handle shareholder requests and procedures related to general assembly meetings, share capital increases, and dividend payments;
- Represent the Company;
- Represent the Company before such agencies as the Capital Markets Board (CMB), Borsa Istanbul (BIST), the Central Registry Agency (CRA), and ISE Settlement and Custody Bank Inc. and liaise with them;
- Maintain records pertaining to the Board of Directors, to committees set up within the board, and to general assembly meetings;
- Provide the Public Disclosure Platform with information about material events as required by the Public Disclosure Communique (VII-128.6), the Material Events Communique (II-15.1), and other pertinent regulatory requirements;
- Keep track of all matters related to public disclosures covered by the Company's public disclosure policy;
- Prepare documents that may be useful to shareholders at general assembly meetings and ensure that shareholders have easy access to these documents;
- Keep track of the requirements of laws and regulations and of CMB legislation;
- Inform senior management of matters and issues with which the Company must be in compliance;
- Prepare the Company's quarterly and annual reports;
- Support the coordination of the corporate governance-related projects and activities;
- Prepare quarterly and annual informational presentations and bulletins;
- Provide investment banks/brokerage analysts, fund managers, shareholders, and other stakeholders with information about the Company;
- Propose changes to keep the articles of association in compliance with current laws and regulations;
- Maintain regular and up-to-date records of all communication with investors;
- Keep abreast of and analyze information about competitors and the sector;
- Respond to shareholders' queries and requests for information to the extent allowed by the Company's disclosure policy;
- Have shareholders' paper-form securities dematerialized;
- Coordinate the initiatives and efforts regarding sustainability.

Twice a year the Investor Relations Department prepares and submits to the Board of Directors a report of its most recent activities.

All shareholders who wish to obtain information about the Company may submit their requests by email to yatirimci@migros.com.tr and/or by calling 444 10 44 Customer Service Line. All other channels of communication are also available to shareholders.

Assistant General Manager for Finance: Erkin Yılmaz
Address: Atatürk Mahallesi Turgut Özal Bulvarı No: 7 34758 Ataşehir / İSTANBUL
Email: erkiny@migros.com.tr

Finance Director: Ferit Cem Doğan
Email: cemdo@migros.com.tr
Investor Relations Group Manager: Dr. Affan Nomak
Email: affann@migros.com.tr

Capital Market Activities Advanced Level License No: 204627
Corporate Governance Rating Specialist License No: 700482

Investor Relations Associate: Ahmet Hüsamettin Özkök
Email address: ahmeto@migros.com.tr

The dematerialization of securities is undertaken by Yapı Kredi Securities. During the reporting period, retroactive action was taken at the Company's headquarters concerning Migros Türk T.A.Ş. shareholders and Tansaş Perakende Mağazacılık T.A.Ş. shareholders who had not taken part in stock options, or had not received dividends to which they were entitled, or who applied to have their paper-form shares dematerialized. In addition, shareholders who called the 444 10 44 Customer Services Line were provided with information and also directed to go to any Yapı Kredi Bank branch in order to exercise their rights. More than 300 shareholders contacted the Investor Relations Department to obtain information on a variety of issues. They were informed in compliance with the requirements of corporate governance principles.

The activities of the Company in 2014 are itemized below.

- Teleconferences conducted during the year: 4
- Investor presentations concerning the Company's financial results: 4
- Press releases concerning the Company's financial results: 4
- Material event disclosures sent to the Public Disclosure Platform: 38
- Board of Directors resolutions passed: 17
- Domestic and international conferences and roadshows taken part in: 9
- Analysts and fund managers met with during the year: 203

2.2 Shareholders' Rights to Information

Disclosure

The Investor Relations Department endeavors to respond to requests for information about the Company that it receives as quickly as possible and without making any distinctions among shareholders. Mindful of shareholders' right to be informed and of their right to have simultaneous, convenient access to information, all announcements about the Company are also published on the Company's corporate website.

Immediately after each announcement of the Company's quarterly results, teleconferences concerning the investor presentation published on our website were conducted. During these teleconferences, detailed information was provided about the presentation.

The shareholders' right to receive and review information as stipulated by the law is not eliminated or restricted neither by any provision contained in the Company's articles of association, nor by any practice based on the Company management's decision.

Auditing

At the meeting of the Board of Directors of Migros, held on 04 March 2014, it was decided according to the proposal by our Audit Committee that DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) be elected as the independent audit company for the 2014 fiscal year. This decision will be submitted to the General Assembly for approval, according to the Board's resolution.

The Migros general assembly of shareholders voted to approve, as the Company's independent auditor for 2014, the firm of DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited), which had been selected by the Board of Directors upon the recommendation of the Audit Committee.

A two-member Audit Committee has been formed by the Board of Directors of Migros. Under article 4.5.3 of the CMB's "Communique concerning corporate governance principles (II-17.1)", all of the members of the Audit Committee must be selected from among the Company's independent board members. At a meeting of the Board of Directors on 9 October 2012, a resolution was passed to reconstitute the Audit Committee as a two-person body whose members are both independent board members and Hakkı Hasan Yılmaz and Tayfun Bayazıt were elected to fill these seats. As also required by Capital Markets Board regulations, Tayfun Bayazıt was designated as the committee's chairman.

The Company's articles of association contain no provisions that complicate the conduct of a special audit. The Company management avoids undertaking any transaction that would complicate the execution of a special audit. No requests for the conduct of a special audit at the Company were received from shareholders during the reporting period.

The internal audit activities of the Company are discussed in the relevant sections of the Corporate Governance Principles Compliance Report.

2.3 General Assembly Meetings

Attention is given to covering all issues whose discussion is statutorily mandated when determining items for the agendas of general assembly meetings. General assembly meeting announcements are published in Türkiye Ticaret Sicili Gazetesi, at the Central Registry Agency's electronic general assembly portal, and on the Company's corporate website within the statutorily prescribed periods of time. All shareholders are given convenient access to these announcements. Additionally, a general assembly meeting information document containing detailed information about agenda items that are to be discussed at the meeting is also published on the Company's corporate website at www.migroskurumsal.com, on the electronic General Meeting System (e-GEM) and e-Company portal.

General assembly meetings are held physically at the Company's headquarters (Atatürk Mahallesi, Turgut Özal Bulvarı No: 7, 34758 Ataşehir, İstanbul) and are simultaneously conducted electronically through the electronic general assembly system. General assembly meetings are open to all stakeholders and are attended by media representatives.

Company officers responsible for the preparation of financial statements and a representative of the independent auditor attended the general assembly meeting so as to provide such information as might be needed and to respond to any questions.

The Company's donation policy is disclosed to shareholders by means of a general assembly meeting information document that is made available before general assembly meetings at the Company's headquarters, on its corporate website at www.migroskurumsal.com, and at the electronic general assembly portal. A separate item concerning charitable donations provided to foundations and associations is included in general assembly meeting agendas and shareholders are provided with information about them.

Annual General Assembly Meeting

The annual general assembly meeting at which Migros Ticaret Anonim Şirketi's 2013 activities and accounts were examined took place on 10 April 2014 at 11:00 at Migros Ticaret A.Ş.'s head office building located at the address of Atatürk Mahallesi, Turgut Özal Bulvarı No: 7, 34758 Ataşehir, İstanbul for the convenience of those attending and it was also simultaneously conducted electronically through the Central Registry Agency's electronic general meeting system (e-GEM). The meeting was observed by ministry representative Mustafa Çalışkan, who had been charged with this duty by the Ministry of Customs and Trade İstanbul Directorate letter 9770 dated 09 April 2014.

The 2013 balance sheet and income statement, the Board of Directors annual report, the independent auditors' report, and proposal for the distribution of the year's dividends were made available for the examination of shareholders at the Company's headquarters, on its corporate website at www.migroskurumsal.com, and at the electronic general assembly portal during the three weeks preceding the meeting.

An examination of the attendants list showed that 14,623,956,435 shares out of a possible 17,803,000,000 corresponding to TL 146,239,564.35 of the Company's TL 178,030,000 in capital were represented at the meeting.

Immediately after the meeting, its minutes and attendants list were reported to the Public Disclosure Platform and were also published under the "Information about general assembly meetings" heading of its corporate website at www.migroskurumsal.com and at the e-company portal. Additionally, the general assembly meeting's minutes were also announced in issue 8555 of Türkiye Ticaret Sicili Gazetesi on 22 March 2014.

Prior to the meeting, no shareholders submitted any proposals for items to be included in the meeting's agenda. During the meeting, no shareholders asked any questions.

Shareholders at the Company's annual general assembly meeting were informed about the donations and assistance provided by the Company during the year. The Company made donations totaling TL 372,694.92 consisting of TL 137,474 to the Educational Volunteers Foundation of Turkey, TL 50,000 to Koç University, and TL 185,220.92 to other associations and foundations.

In 2013 no company shareholder with a controlling stake, nor any board member, nor any manager with administrative responsibilities nor any spouse or relative (whether by blood or marriage unto the second degree) of any of these has engaged in any transaction with the Company or with any of its subsidiaries or affiliates that might be deemed to involve a conflict of interest; nor did any of them perform, on their own behalf or on behalf of another, any transaction of a business nature falling within the Company's own or its subsidiaries' or affiliates' object and scope; nor did they act as a partner with unlimited liability in another company engaged in the same kind of business.

2.4 Voting Rights and Minority Rights

As is stipulated in Migros' articles of association, there are no special voting rights at the Company. All votes are of equal weight. Every shareholder at a general assembly meeting is entitled to cast as many votes as the number of shares that they hold. There are no shareholders with cross-shareholding interests. The articles of association provide for no special privileges and/or similar rights with respect to representation on the Board of Directors. Three of the nine members of the Board of Directors are independent members.

The Company avoids engaging in any and all manner of practices that might obstruct the exercise of shareholders' voting rights.

Those who are entitled to cast votes at general assembly meetings may exercise those rights personally and they may also designate a proxy, who may or may not be a shareholder themselves, to do so on their behalf. A specimen of the proxy statement for shareholders not personally attending a meeting is posted at the Company's headquarters, on its corporate website (www.migroskurumsal.com), and at the Central Registry Agency electronic general assembly portal and is also published in the Türkiye Ticaret Sicili Gazetesi along with the general assembly meeting summons.

Voting on agenda items at general assembly meetings is by an open show of hands by shareholders who are physically present; electronic voting is provided for shareholders who are attending meetings in an electronic environment. Once voting has been completed, the results of physically cast and electronically cast votes are consolidated in the electronic general assembly system.

2.5 Dividend Rights

There are no privileges regarding participation in the Company's profit. Profits are distributed within statutorily prescribed periods of time and as soon as possible after a general assembly meeting has taken place. The actual payment dates are determined by the general assembly.

Payment of dividends has always been an important matter for Migros, which always aimed to protect the interests of its shareholders. The utmost attention is given to the fine balance between the growth strategy and dividend payment policy. A copy of the "Dividend Distribution Policy" formulated by the Board of Directors is sent to the Public Disclosure Platform system along with material event disclosures pertaining to dividend payments. The same information is provided to shareholders at general assembly meetings and is published on the Company's corporate website. The Company's dividend policy is presented in the Corporate Governance Principles Compliance Report appendix of the annual report.

Taking the Company's long-term strategies, investments, financing plans, and profitability as well as compliance with CMB communiques and regulations into account, the Board of Directors may submit, for the approval of the general assembly, a proposal that a portion–such as may be determined by the board–of current-year profit be paid out as cash, or as bonus shares, or as a specific mix of these two or else that it be retained within the Company.

When a general assembly decides to distribute profits it may itself determine when the dividends are to be paid and similarly it may also authorize the Board of Directors to make such a determination. In all cases, the payment of dividends must begin no later than the end of the fiscal year in which was held the general assembly meeting at which the decision to pay them was taken. Matters related to dividend payments specified in the Capital Markets Law and in CMB communiques must also be complied with.

There are no shares in the Company that are entitled to special dividend rights; neither is there anyone who is entitled to a share of company profits who is not a shareholder.

This is the Company's policy for the next three years. Any changes to this policy will also be shared with the public separately.

At Migros Ticaret A.Ş.'s annual general assembly meeting on 10 April 2014, it has been presented to the general assembly that it is proposed against distribution of profit for 2013 fiscal year since consolidated financial statements for 2013, which have been drawn up in accordance with the Turkish Commercial Code and CMB regulations, showed a net loss for the period. This proposal was approved by the general assembly.

2.6 Transfer of Shares

The Company's articles of association contain no provisions restricting the transfer of its shares. According to the charter, a general assembly may decide to issue shares at a nominally determined value.

Transfers of the Company's shares are subject to the provisions of the Turkish Commercial Code and of capital market laws and regulations.

Subject to the satisfaction of specific conditions, the Company may acquire its own shares and accept them as collateral.

On 13 November 2014, MH Perakendecilik ve Ticaret A.Ş. ("MH"), a shareholder of the Company, informed our Company that it has transferred its shares in the Company's capital with a total nominal value of TL 27,371,000 at a price of TL 26 per share to Moonlight Capital S.A., the sole and principal shareholder of MH.

The shareholding structure of Migros Ticaret A.Ş. after this transaction is presented below:

Migros Ticaret A.Ş. Capital Structure

Shareholder	Share Ratio (%)	Share Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	65.13	115,952,336
Moonlight Capital S.A.	15.37	27,371,000
Other	19.49	34,706,664
Total	**100.00**	**178,030,000**

On 31 December 2014, MH Perakendecilik ve Ticaret A.Ş. ("MH"), a shareholder of the Company, informed our Company that it has transferred its shares in the Company's capital with a total nominal value of TL 26,937,336 at a price of TL 26 per share to Moonlight Capital S.A., the sole and principal shareholder of MH, for the purpose of restructuring the shareholding of MH Perakendecilik ve T.A.Ş. and Moonlight Capital S.A. in our Company within the group.

The shareholding structure of Migros Ticaret A.Ş. after this transaction is presented below:

Capital Structure		
Shareholder	Share Ratio (%)	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**

PART III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 The corporate website and its content

The Company's corporate website is located at www.migroskurumsal.com. It has been serving shareholders and all other interested parties since its launch in 1997.

Any and all manner of information and announcements that might have an impact on the exercise of shareholders' rights is made available to shareholders on an up-to-date basis via the corporate website. The website addresses all of the matters set forth in Corporate Governance Principles.

The content of the corporate website (www.migroskurumsal.com) was enriched during the reporting period. There is also a separate website for each of the Company's store formats and these websites are available for our shareholders to use. Our corporate website contains the following sections and their associated sub-sections:

- About Us
- Our Brands & Stores
- Corporate Social Responsibility
- Quality & Product Safety
- Investor Relations
- Human Resources

Besides addressing the matters set forth in section 2.1 ("Corporate Website") of CMB Corporate Governance Communique II-17.1, the Migros corporate website also contains information about many other subjects.

The Investor Relations section of our corporate website covers topics such as "Sustainability", "Migros Corporate", "Financial Reports", "The Increase of Company Capital and Distribution of Dividends", "Information on General Assembly Meetings of Shareholders", "Material Disclosures", "Announcements to Shareholders", "Frequently Asked Questions", and "Contact Us". Our investors can find more detailed information about Migros in the subsections under these main headings. Our "Investor Relations" page is updated as circumstances warrant and as required by law. Every effort is made to make such information easily accessible to stakeholders.

The corporate website also contains trade registry information and the shareholding structure in Turkish and English as required by law.

3.2 Annual Report

The annual report is prepared in such a way as to contain all of the matters specified in the Turkish Commercial Code, in "Regulations concerning the determination of minimum content in companies' annual reports" (published in issue 28395 of Official Gazette on 28 August 2012), and in the corporate governance principles set forth in the appendix to CMB Corporate Governance Communique II-17.1. As so required, the Board of Directors has an annual report prepared that provides the public with complete and truthful information about the Company's activities.

The following information is provided under the "Board of Directors" heading of the corporate governance principles compliance report section of the annual report: statements pertaining to information about members of the Board of Directors, to duties that executives undertake outside the Company, and to the independence of independent members; information pertaining to committees set up within the Board of Directors that includes their working principles, members, frequency of meetings, and performance along with the board's assessments of the committees' effectiveness; information pertaining to the number of Board of Directors meetings held during the year and members' attendance at them.

The corporate governance principles compliance report also contains, in appropriate sections, information about: changes in the legal framework that may significantly affect the Company's activities; significant lawsuits filed against the Company and their potential consequences; conflicts of interest between the Company and those from which it obtains investment advisory, rating, and similar services along with measures taken by the Company to preclude such conflicts; cross-shareholding interests that involve more than a 5% capital stake; information about corporate social responsibility issues including employee rights, professional/occupational training, and other company activities that have social and/or environmental consequences.

PART IV: STAKEHOLDERS

4.1 Informing Stakeholders

Migros corporate governance practices ensure that stakeholders' rights as embodied in laws and regulations and in its contractual agreements are duly safeguarded. The Company keeps stakeholders informed about issues that may be of concern to them through a variety of communication channels including, but not limited to, its corporate website at www.migroskurumsal.com. Company employees, shareholders, and other individuals and entities with which the Company has a shareholding and/or business relationship may submit suggestions and complaints about such issues directly to company executives. All such submissions are considered and responded to as circumstances required.

Migros publishes the names and contact information of the department heads of the Company on its corporate website thus making it possible for stakeholders to directly contact the manager overseeing a particular issue and direct their questions and opinions to the relevant person firsthand. The objective of this model is to allow for the establishment of a more transparent and effective communications model between the Company and its stakeholders.

Stakeholders are provided with clear and explicit information about the Corporate Governance Committee, the Audit Committee, and the members of both so that they may contact these committees directly in order to report any violations of laws and regulations by the Company and any involvement by the Company in dealings that may be unethical.

The Company keeps shareholders and other interested parties informed through such means as press releases and investor presentations.

The section of the Migros Code of Conduct concerning employees is presented under the title of "Rules of Ethics" and other principles are presented below:

The responsibilities of Migros towards other companies

1. Migros abides by the law in all of its activities.
2. Migros does not derive any unlawful benefit from any person or entity under any circumstances. Procurement decisions regarding goods and services are made based on well-established and publicly disclosed criteria.
3. It is important for Migros that its business partners do not damage its image and reputation and that they respect the accepted business values of the Company.
4. Migros checks and monitors the services it obtains on an ongoing basis from other organizations to ensure that they are provided in full legal compliance.
5. Migros does not share the confidential information of its suppliers with any third party without permission.

Social responsibilities of Migros

1. Migros strives to upgrade its service standards in order to satisfy the expectations of its customers.
2. Migros seeks to set an example for the community by fulfilling all of its tax and other obligations in a complete and timely manner.
3. Migros does not make any derogatory, derisive or offensive statements about other companies, organizations, products or individuals.
4. Migros takes the utmost care in all its activities to preserve nature and historic integrity while acting in accordance with customs and traditions of the community and observing legal rules and regulations.
5. Migros stands for business ethics in its industry and strives for the establishment, dissemination and adoption of these principles.

The responsibilities of Migros employees towards the Company

1. Migros employees categorically reject any pecuniary or non-pecuniary incentives which may come from any third parties within their areas of responsibility.
2. Migros employees inform their immediate superiors whenever they enter into a direct business relationship with a company in which a close relative is employed or he/she is a minority or majority partner.
3. Migros employees take utmost attention and care in their duties and they make every effort to ensure that the work they perform is higher in quality, faster and more efficient.
4. Migros employees refrain engaging in any action or behavior which would damage the image and reputation of the Company and during work hours they comply with the generally accepted code of conduct and the dress policy of the Company.
5. Migros employees do not remain indifferent or silent in any situation which runs counter to the interests of the Company and shall notify the concerned business units.
6. Migros employees avoid waste by putting all the fixtures, tools and equipment owned by the Company to use for their intended purposes. The employees do not use the resources and facilities of the Company for their own private benefit.
7. Migros employees do not divulge any confidential or private information which they might be privy to due to their position or the work they perform outside the Company and they do not give interviews or make statements of any kind to any media organization without the prior consent of the Company management.

The responsibilities of Migros employees towards other employees

Migros employees do not share the private information regarding their co-workers they might be privy to with other third parties outside the Company.

General responsibilities

"The Migros Business Ethics Committee" is responsible for dealing with issues that are not addressed by the principles set forth above.

4.2 Stakeholders' Participation in the Company Management

The Article No. 7 of "The Company's Responsibilities toward its Employees" section of the Migros Code of Conduct states: "In matters that are related to employees, Migros seeks to include the opinions of its employees as much as possible in any decision concerning the future of the Company."

The Management of Migros gives a great deal of attention towards the achievement of this goal. As a part of the business style of the Company, Migros employees participate in the decision-making processes concerning their respective areas of work. Migros employees have the opportunity to communicate their new ideas, proposals and demands to the senior management of the Company and Members of the Board of Directors directly or by e-mail.

4.3 Human Resources Policy

The Human Resources Department of Migros, in executing the Company's strategies, aims to develop systems which will ensure the continuous improvement, motivation and management of the human resources staff and implement these systems in line with the corporate principles of the Company. Our human resources are our most important asset. The quality of our products and services reflects the quality of our employees. In our endeavor to create a Company spanning generations, we choose attracting and employing the best and most competent people; taking maximum advantage of our people's abilities, strengths and creativity; increasing their individual productivity; providing them opportunities to develop themselves; and creating a workplace in which teamwork and solidarity flourish.

Information about company employees' job descriptions and accountabilities and about performance and reward criteria is provided for employees' information through the Migros Human Resources Portal.

Our Principles

Strategic Use of Human Resources:

The Human Resources Department of Migros places the human element on a high pedestal by giving it great strategic importance and creates awareness of its strategic value. Human resources strategies are designed to create and develop a reliable, fast and proactive organizational structure to sustain the industrial leadership of Migros in a competitive business environment. Employees are considered a strategic resource for it is believed that their experience and creativity would be the driving forces in the adaptation of the Company to fast-changing competitive environment and new markets.

Superior Business Ethics and Integrity:

In all dealings with employees, the Company accepts as a fundamental principle to act fairly, in good faith and in an understanding manner abiding by the rules of law and ethics.

Occupational Safety:

Migros assures its employees that it will fulfill all of its obligations towards them in compliance with the relevant laws and regulations.

The Company, in order to ensure the safety of its employees in the workplace, complies not only with all legal requirements and regulations stipulated by the Labor and Occupational Safety Law but also with the industry standards on ergonomics and improvement of the working environment. Civil defense activities, which are of great importance for our country, and theoretical and practical training are also provided in cooperation with the concerned public institutions.

Equal Opportunities:

Migros provides services to its customers both in Turkey and overseas through an employee workforce comprising of individuals coming from many different linguistic, religious and ethnic backgrounds. All human resource-related decisions from recruitment and placement to compensation are governed by job position profiles defined in detail. Through the human resource staff evaluation systems, Migros objectively monitors and assesses the competencies, skills and performances of its employees by common principles applied to all. Migros provides equal training, promotion, and career development and compensation opportunities to each of its employees based on the evaluation results through the Integrated Human Resource systems deployed by the Company.

Human Resources Management:

The management of human resources processes and relations with employees at our Company, in line with established human resources policies and principles, is the responsibility of the Assistant General Manager for Human Resources and Industrial Relations; this function is clearly defined and undertaken within the regulations and business ethics principles of the Company.

Participation and Transparency:

Managers and employees are the integral parts of human resources practices at Migros. Employees are updated on their roles and responsibilities regarding human resources policies and provided with guidance in fulfilling those responsibilities.

Human resources policies and processes are shared with employees on a regular basis by means of the communications resources (intranet, e-mail, distance learning and meetings) of the Company. Employees have access to employee evaluations and are able to receive training and information on the practices and can monitor their individual results.

Assemblies are also conducted as necessary to inform and discuss with employees issues of concern to them such as the Company's financial standing, compensation, career paths, training, and health.

Competitiveness:

Migros plans and manages the professional development of its employees to help them sustain their competitiveness not only within the Company itself but also on a professional level so as to allow the contribution of positive values to the economy, environment and community.

Commitment to Shared Values:

Our Corporate Culture is based on our shared values. These values are:

1. Reliability
2. Leadership
3. Empathy
4. Customer-orientation
5. Productivity
6. Innovativeness.

Actions of employees contradicting the Company's shared values are dealt with appropriately and impartially through the warning system and disciplinary committee procedures. Conducting relations with employees at Migros is the primary function of the Industrial Relations Department. The objectives of this Department are to ensure that all laws and regulations are fully complied with by the Company, oversee the legal and contractual rights of the employees and manage employee rights so as to maintain labor peace and fulfill all legal obligations.

4.4 Code of Ethics and Social Responsibility

The Principles of Business Ethics of Migros are grouped under the following headings:

- The responsibilities of the Company towards its employees
- The responsibilities of employees towards the Company
- The responsibilities of Migros towards other companies
- Responsibilities of the Company towards the society
- General responsibilities.

The responsibilities of the Company towards its employees and the information about the other categories of business ethics principles have been described in the various sections of this Corporate Governance Compliance Report. The Migros Code of Ethics may be accessed from the Company's corporate website at www.migroskurumsal.com.

The Company considers its employees as one of its most valuable assets in today's tough market conditions. One of our Company's greatest competitive advantages is its experience in the industry and qualities possessed and continuously improved by its employees.

The responsibilities of Migros towards its employees:

1. Migros is in full compliance of its legal obligations to its employees; in situations where the requirements of law are ambiguous, Migros consults professionals who are experts in the relevant fields.
2. Migros protects the rights of its employees within the framework of its business ethics rules in situations where laws do not sufficiently address to.
3. Candidates for employment, promotion and appointment are evaluated based on their qualifications; all employees are provided equal opportunity.
4. Migros does not get involved in the personal affairs or private lives of its employees and holds all of the private information about its employees in strict confidence.
5. Migros helps its employees to develop professionally and personally by providing them training.
6. Migros does not discriminate on the basis of sex, age, ethnic origin or religion.
7. In matters that are related to employees, Migros seeks to include their opinions as much as possible in any decisions that are related to the future of the Company.
8. Migros provides hygienic and safe working conditions as dictated by the requirements of law and circumstances, and seeks to improve them to the best of its ability.
9. Migros holds private information about its employees that it may receive through various means in strict confidentiality and does not divulge any of it (e.g. medical records, shopping habits, economic data, and the like).

Within the framework of its ethical guidelines, Migros defines its responsibilities to society as follows.

1. Migros strives to satisfy the service quality standards that its customers expect of it.
2. Migros seeks to fulfill its tax and other legally prescribed obligations in a complete and timely manner and to conduct itself in an exemplary manner in the public eye.
3. Migros makes no statements that could be deemed to be condescending, sarcastic or offensive concerning other companies or organizations, goods, or individuals.
4. Migros takes pains in the conduct of its activities to protect the natural environment, to avoid harm to the historical heritage, and to act in keeping with customs, habits, and traditions. Migros complies with the requirements of law on all such issues.
5. Migros stands for business ethics in its industry and strives for the establishment, dissemination and adoption of these principles.

The corporate culture Migros has developed for more than sixty years, includes its concern for public health and hygiene, sensitivity toward identifying and satisfying societal needs, organization of and participation in exemplary educational, cultural, athletic and social activities essential for social development as well as its corporate identity as an "Honest Retailer" sensitive to the environment.

As required by its sense of corporate social responsibility, Migros operates in compliance with laws, the rules of ethics, and respect for human rights in the conduct of all consumer-related services; fulfills the responsibilities incumbent upon it in the furtherance of registered-economy activities that give back to society by enriching national resources; contributes to formal employment through its upholding of statutorily-mandated employee rights. The Company also shares its sense of social responsibility with its social stakeholders - employees, suppliers, subsidiaries, investors and customers and with the public at large. Great importance is given to supporting and spreading of such pioneering and value-adding practices for the improvement of the society.

Migros is aware a good reputation can be ruined in a single blunder. Migros acts ethically and with integrity in every practice it engages in. The Company is well aware that trust cannot be won easily, and that it is a bond that grows and develops slowly over a long period of time between a company and its customers and that once broken, cannot be saved by quick fixes. Migros has been protecting the

good health and rights of its customers since 1954. Many innovative practices introduced by Migros encourage good shopping habits and foster consumer awareness. These practices subsequently became industry standards and some have even been made into law.

Detailed information about the Company's social responsibility activities is provided in appropriate sections of the annual report.

PART V: BOARD OF DIRECTORS

5.1 Structure and Composition of the Board of Directors

All of the members of the Migros Board of Directors possess the qualifications required of them in article 4.3 of CMB Corporate Governance Communique II-17.1. All of them are professionals distinguished by virtue of their exemplary business knowledge, experience, and background.

The Migros Board of Directors consists of nine members, all of whom are elected by shareholders at a general assembly meeting. A majority of the board's membership consists of non-executive board members. Among the non-executive board members are independent board members who have the ability to act with absolute impartiality in the conduct of their duties.

According to article 4.3.4 of CMB Corporate Governance Communique II-17.1, the number of independent board members must not be fewer than one-third of a board's total membership. When determining how many independent board members a board must have, fractions are rounded up to the nearest whole number but in no case may the number of independent board members be fewer than two. In compliance with this rule, three of the nine members of the Migros Board of Directors are independent members.

Under the articles of association, board members serve for three-year terms at most unless a shorter term of office is specified at the general assembly meeting at which they are elected. A board member whose term of office expires may be reelected. Shareholders assembled in a general assembly meeting may, for just cause and at any time that they deem such action to be necessary, dismiss any board member whether or not such an item is on the meeting agenda.

The duties of a nomination committee at Migros are performed by the Corporate Governance Committee. Inasmuch as the terms of office of the board's independent members did not end in 2014, the committee has not designated any prospective independent board members to replace them.

There are no binding rules governing board members undertaking duties outside the Company. Any duties that they do perform however are indicated in their CVs.

While women members served on the Board of Directors in previous years, there are no woman members on the current Board of Directors. The Corporate Governance Committee has made a recommendation to the Board of Directors that, in the years ahead, the Board be formed so as to include woman members again. As a matter of principle there are no barriers to or limitations on women serving as members of the Board of Directors except that the number of female board members must not be fewer than 25% of the total membership. All members of the board–male and female–are considered and evaluated entirely on the basis of their professional and sectoral experience and their academic qualifications.

Board of Directors		
Fevzi Bülent Özaydınlı	Chairman	Non-executive
Nicholas Stathopoulos	Member of the Board of Directors	Non-executive
Stefano Ferraresi	Member of the Board of Directors	Non-executive
Ömer Özgür Tort	Member of the Board of Directors	Executive
Giovanni Maria Cavallini	Member of the Board of Directors	Non-executive
Glen Allen Osmond	Member of the Board of Directors	Non-executive
Jacob Cornelio Adriano de Jonge	Independent Member of the Board of Directors	Non-executive
Tayfun Bayazıt	Independent Member of the Board of Directors	Non-executive
Hakkı Hasan Yılmaz	Independent Member of the Board of Directors	Non-executive

According to the allocation of duties within the Board of Directors, Fevzi Bülent Özaydınlı serves as the Chairman of the Board of Directors.

The Board of Directors identifies strategic objectives taking into account both the requirements of laws and regulations and the Company's articles of association and internal directives. The board formulates the most appropriate balance among between growth and the issues of risk vs return in line with these objectives and, mindful of the Company's long-term interests, administers the Company transparently, accountably, justly, and responsibly.

Resumes of the Board Members

Fevzi Bülent Özaydınlı

Born in 1949, F. Bülent Özaydınlı received his bachelor's degree from the American University of Beirut. He started his career at OYAK in 1972 where he held various senior management positions until 1987. Before leaving OYAK, Özaydınlı had served as Assistant General Manager of Associates for 8 years and held seats on the boards of directors of numerous companies. He joined the Koç Group in 1987.

After serving as Maret Assistant General Manager, F. Bülent Özaydınlı was the General Manager of Migros Türk T.A.Ş. for 10 years. He was appointed as the President of Koç Fiat (Tofaş) Division in 2000; in addition to that position, he was named the Deputy CEO of the Koç Group in 2001.

Having held the position of Koç Holding CEO from 2002 until May 2007, Özaydınlı served on the boards of directors of Koç Holding, Arçelik, Tofaş, Ford Otosan, Koç Finansal Hizmetler, Migros, Tüpraş and Türk Traktör companies, as well as Vehbi Koç Foundation.

F. Bülent Özaydınlı has been working as the Chairman of the Board at Migros since May 2008.

External positions held

Fevzi Bülent Özaydınlı, the Chairman of the Board at Migros, serves as the Chairman of the Board at Baracuda Su Ürünleri Sanayi ve Ticaret Anonim Şirketi.

Ömer Özgür Tort

Born in 1973, Ömer Özgür Tort received his undergraduate degree in industrial engineering from İstanbul Technical University, upon which he went to US for graduate studies. He got his master's degree in engineering management from the University of Missouri in 1996.

He started his business life as an industrial engineer at Migros Türk T.A.Ş. in 1996, where he became International Investments Coordination Manager in 1998. In 2001, he assumed additional responsibility as CRM Applications Manager. Tort worked as Assistant General Manager of Sales and Marketing at Ramenka from 2002 to 2006, when he returned to Turkey and carried on with his career as Assistant General Manager of Human Resources at Migros Türk T.A.Ş.

Tort has been serving as the General Manager and a board member at Migros since August 2008.

External positions held

Ömer Özgür Tort also serves as the Chairman of the Board of Sanal Merkez Ticaret A.Ş., a subsidiary of Migros Ticaret A.Ş. He is also a board member at Trade Council of Shopping Centers and Retailers (in Turkish: AMPD).

Nicholas Stathopoulos

Born in 1969, Nicholas Stathopoulos got his undergraduate degree in business administration from the University of Athens, followed by a graduate degree from the Harvard Business School.

He began his career in 1995 at the Boston Consulting Group (BCG), where he worked until 1998. Having been a partner at Apax Partners from 1998 until 2005, Stathopoulos has been serving as a managing partner at BC Partners since 2005.

Nicholas Stathopoulos has been a board member at Migros since May 2008.

External positions held

Nicholas Stathopoulos serves as the managing partner at BC Partners. He also holds seats on the boards of directors of Gruppo Coin SpA and Com Hem AB companies.

Stefano Ferraresi

Born in 1972, Stefano Ferraresi received his undergraduate degree in business administration from Bocconi University in Italy, and his graduate degree from the Stockholm School of Economics.

Having started his business life at Barclays Capital, Ferraresi worked in the Finance Department at Merrill Lynch London office from 2000 to 2002. Ferraresi has been a director at BC Partners since 2002.

Stefano Ferraresi has been a board member at Migros since May 2008.

External positions held

Stefano Ferraresi functions as a director at BC Partners. He also holds a seat on the Board of Directors of Gruppo Coin SpA.

Giovanni Maria Cavallini

Born in 1950, Giovanni Maria Cavallini got his bachelor's degree in civil engineering from Politecnico di Milano University in Italy and his master's degree from the Harvard Business School.

He began his career in 1978 at the Boston Consulting Group; from 1988 to 1994, he served as the CEO of Società Iniziative Commerciali, and as a member of the Board of Directors at Società Sviluppo Commerciale. He served as the Chairman of the Board at OBI Italy (Tengelmann Group) from 1994 to 1996, and has been the CEO and Chairman of the Board of Interpump Group S.p.A. since 1996.

Giovanni Maria Cavallini has been a board director at Migros since 2009.

External positions held

Giovanni Maria Cavallini serves as the CEO and Chairman of the Board of Interpump Group S.p.A. He also holds seats on the boards of directors of Ansaldo STS and Brembo S.p.A. companies.

Glen Allen Osmond

Born in 1971, Glen Allen Osmond received his bachelor's degree in economics from the Brigham Young University, and his master's degree from the Kellogg School of Management.

He began his business life at Bain & Company in 1996, and worked at Kidd & Company in 2000 and 2001. Osmond worked for MESA Investment Advisory from 2003 to 2007, and he has been serving at State General Reserve Fund since 2012.

External positions held

Glen Allen Osmond functions as an executive at State General Reserve Fund.

Independent Board Members

Jacob Cornelio Adriano de Jonge

Born in 1953, Jacob Cornelio Adriano de Jonge studied at the Department of Philosophy and Arts at the United States International University.

He began his career at Makro Brasil in 1977, where he held various positions in different countries. He left the company in 2003, when he was holding the position of CEO of Makro Thailand. Having served as the COO of Walmart from 2003 to 2005, Jonge was the CEO of De Bijenkorf from 2007 until 2012.

Jacob Cornelio Adriano de Jonge possesses the qualifications of an independent board member as per the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

External positions held

Jacob Cornelio Adriano de Jonge serves as the CEO of V&D BV company and as a member of the Advisory Board of Agri Holding BV company.

Tayfun Bayazıt

Born in 1957, Tayfun Bayazıt got his bachelor's degree in mechanical engineering from the Southern Illinois University, followed by a master's degree from Columbia University.

Having started his career at Citibank in 1983, Bayazıt served at Yapı Kredi Bank as an Assistant General Manager and then as Chief Assistant General Manager from 1986 until 1995. He functioned as the General Manager of Interbank from 1995 to 1996, and of Banque de Commerce et de Placements from 1996 to 1999. Appointed as Deputy Chairman of the Board of Directors at Doğan Holding from 1999 until 2001, Bayazıt was the General Manager and a board member of Dışbank (2001-2005), of Fortis Bank (2005-2007), and of Yapı Kredi Bank (2007-2009). Having held the position of the Chairman of the Board at Yapı Kredi Bank from 2009 to 2011, Bayazıt has been serving as an advisor since 2011.

Tayfun Bayazıt possesses the qualifications of an independent board member as per the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

External positions held

Tayfun Bayazıt is a founding partner of Bayazıt Yönetim Danışmanlık Hizmetleri Ltd. Şti. He is an independent member on the boards of directors of Doğan Şirketler Grubu Holding A.Ş., TAV Havalimanları Holding A.Ş., Boyner Perakende ve Tekstil Yatırımları A.Ş and Boyner Büyük Mağazacılık A.Ş. Also serving as the chairman of the boards of directors of MB Advisory Kurumsal Danışmanlık Hizmetleri A.Ş, a subsidiary of Mediobanca, Primist Gayrimenkul Geliştirme ve Yatırım A.Ş. and Taaleri Portföy Yönetimi A.Ş., Bayazıt is the country chairman at Marsh & McLennan Group, Turkey. He holds seats on the boards of directors of Marsh Sigorta ve Reasürans Brokerliği A.Ş., Marsh Italy, Beşiktaş Gayrimenkul Geliştirme San. ve Tic. Ltd. Şti., Bomonti Gayrimenkul Pazarlama İnşaat ve San. Tic. A.Ş. and Embarq (NGO), and on the advisory board of Taaleritehdas Asset Management Ltd., Finland. Bayazıt is also a faculty member at Koç University.

Hakkı Hasan Yılmaz

Born in 1957, Hakkı Hasan Yılmaz got his bachelor's degree in industrial engineering from the Middle East Technical University.

He began his business life as an industrial engineer at Presiz Metal İmalat Sanayi and then worked as a market analyst at TAKSAN Takım Tezgahları A.Ş. and as a capital goods specialist at DPT (State Planning Organization) between 1981 and 1984. He assumed various positions at Unilever Turkey from 1984 until 1995, including brand manager, marketing manager and sales manager, and was appointed as the chairman/CEO of Lever A.Ş. in 1991. He left Unilever while serving in the position of Regional Leader responsible for East Asia detergent business located at Unilever's London Head Office. He served as the Chairman and CEO of Uzay Gıda (Pepsi Foods/Frito Lay) from 1995 to 1996. He was recalled to serve as the Chairman and CEO of all nine entities in Turkey, in which Unilever was the majority shareholder, from 1996 to 2000.

He began lecturing at Koç University as a faculty member in 2000. In 2002, he joined Koç Holding as President of Food, Retailing and Tourism that covered more than 20 companies including Migros. He was a member of the Board of Directors of Migros from April 2002 until April 2006. He served as the CEO of Hürriyet Gazetecilik ve Matbaacılık A.Ş. from 2010 to 2012, where he served as a Board member between 2008 and 2013. In 2013, he was appointed as the CEO of Fenerbahçe Sports Club and Fenerbahçe Futbol A.Ş.

Hakkı Hasan Yılmaz possesses the qualifications of an independent board member as per the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

External positions held

Hakkı Hasan Yılmaz holds a seat on the Board of Directors of Hürriyet Gazetecilik ve Matbaacılık A.Ş. and on the advisory board of Mudo A.Ş. He is also a faculty member at Koç University.

Independent Board Members' Affidavit

To the Board of Directors of Migros Ticaret Anonim Şirketi ("the Company"):

Owing to my having been proposed as a candidate for a seat as an independent board member on your Company's Board of Directors at your Company's general assembly meeting to be held on 28 June 2012, I hereby declare and wish it to be known by all Company organs, shareholders, and other interested parties that I am a candidate to serve as an independent board member at the Company within the framework of the Company's articles of association and the criteria of the Capital Markets Board's Corporate Governance Principles and that I possess the qualifications to do so and furthermore:

a) That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship involving employment, capital, or any commercial interest of a significant nature, with the Company, or with any related parties of the Company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 5% or greater interest in the Company's capital or management;

b) That within the most recent five years, I have neither been employed by nor served as a board member in any company, including companies involved in the Company's auditing, rating, or consulting functions, which controls all or any part of the Company's activities or organization within the framework of any agreement that has been entered into;

c) That within the most recent five years, I have been neither a partner, nor an employee, nor a board member in any firm which provides the Company with substantial amounts of any products or services;

d) That no shareholding interest that I may have in the Company amounts to more than 1% of the Company's capital and that none of these shares entail any special rights;

e) That, as may be seen from my resume, I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the Board of Directors;

f) That, as of the date on which my candidacy for board membership was proposed and this affidavit is submitted, I am not a full-time employee of any public agency or organization and that, if elected, I shall not be for the duration of my term of office;

g) That I am a resident of Turkey as defined in the Income Tax Law;

h) That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any disputes that may arise among the Company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;

i) That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking

Jacob Cornelio Adriano de Jonge Tayfun Bayazıt Hakkı Hasan Yılmaz

5.2 Operating Principles of the Board of Directors

As specified in corporate governance principles, the Board of Directors conducts its activities in line with the corporate governance principles of transparency, accountability, fairness, and responsibility. Taking the opinions of its internal committees into account, the Board of Directors devises internal control systems that incorporate risk management and information mechanisms and processes capable of minimizing the adverse impact of risks that might affect company stakeholders. The effectiveness of risk management and internal control systems is reviewed at least once a year. Information about the functionality and effectiveness of the internal control system is provided in the annual report.

As required by CMB Corporate Governance Communique II-17.1, the Board of Directors plays a proactive role in ensuring effective communication between the Company and its stakeholders and in addressing and resolving any disputes that may arise. To accomplish this, it cooperates closely with the Corporate Governance Committee and with the Investor Relations Department.

During 2014 the Migros Board of Directors passed seventeen resolutions on a variety of subjects. At least five members were present at every meeting at which these decisions were taken and the decisions were passed by a majority of those in attendance. Under the articles of association, invitations to board meetings may be sent out by the chairman (or his deputy) at least three days in advance of the meeting date by means of fax, letter, or email. These invitations indicate the meeting date, time, place, and agenda. Whenever the board is convened, it may agree upon a schedule for the regular conduct of meetings during the year.

A secretariat is charged with organizing and conducting meeting-related matters both before and after meetings are held. This secretariat is also responsible for the regular maintenance of meeting-related records, for making entries in the Board of Directors Book of Resolutions, and for making this register accessible to board members for their inspection. Any and all manner of views may be expressed during board meetings. If any dissenting votes are cast against a particular resolution, information about this is included in the minutes along with the justifications for such dissent. No dissenting opinions were entered into the minutes of any board meetings that took place during 2014. Any questions that may be raised by board members and the answers given to them are also entered into the minutes. Issues pertaining to board meetings and decision quora are governed by the Turkish Commercial Code.

The agendas for board meetings are determined in line with the suggestions and guidance of board members and senior executives. Even if no other item has been placed on a meeting's agenda, the Company's monthly financial statements and investment program are discussed.

Each member of the Migros Board of Directors is entitled to one vote. No members have been granted weighted voting or veto rights.

Members of the Migros Board of Directors are covered by insurance against the risk that the Company may suffer a loss on account of misjudgment and errors in the performance of their duties. Liability insurance policies in the amount of USD 25 million have been taken out on board members and senior executives in 2014.

Members of the Board of Directors are not allowed to vote in the issue of acquitting board members of their fiduciary responsibilities at general assembly meetings.

5.3 Number, Structure, and Independence of Committees Established within the Board of Directors

An audit committee, a corporate governance committee and an early detection of risk committee have been set up both in compliance with the requirements of CMB Corporate Governance Communique II-17.1 and in order to help the Board of Directors better fulfill its duties and responsibilities. Owing to the structure of the board, neither a nominating committee nor a remuneration committee has been set up: the functions of such committees are performed by the Corporate Governance Committee. These committees' areas of responsibility, their working principles, and their memberships are determined and publicly disclosed by the Board of Directors.

Under CMB Corporate Governance Communique II-17.1, all audit committee members and the heads of other committees must be selected from among a board's independent members. Care is taken to avoid having any single board member serving on more than one committee. However because the heads of the three committees must be independent board members and because all of the members of an audit committee must also be independent board members, the members of the Migros Audit Committee necessarily serve on more than one committee. No executive board member or general manager may serve on these committees.

The activities of the board's Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee for 2014 have been reviewed and assessed by the board. It was ascertained that in the conduct of their operations these committees had been mindful of the requirements of laws and regulations and that their activities had a beneficial impact on the Company's practices.

a. Audit Committee

At a meeting of the Board of Directors held on 9 October 2012, it was decided that the Audit Committee should consist of two independent board members and that Hakkı Hasan Yılmaz and Tayfun Bayazıt were elected to fill these seats. In compliance with CMB regulations, Tayfun Bayazıt was chosen to serve as committee chairman.

Besides auditing the Company's accounting system and its publicly disclosed financial statements, the Audit Committee also oversees the operation and effectiveness of independent auditing and of the Company's internal control and internal audit systems. As required by Corporate Governance Principles, the selection of independent auditors, the preparation of independent auditing contracts and the initiation of independent auditing processes, and every stage of the activities of the independent auditors are subject to the oversight of the Audit Committee.

The Audit Committee determines methods and criteria that are to be applicable when examining and finalizing any complaints the Company receives about its accounting and internal control system or its independent auditing and when company personnel are given access to confidential reports about in-house accounting and independent auditing matters.

Prior to the public disclosure of annual and interim financial statements and having consulted and obtained the opinions of the Company officers concerned and of the independent auditors, the Audit Committee provides the Board of Directors with a written declaration concerning its own assessment of the statements' compatibility with respect to the Company's approved accounting principles and of their truthfulness and accuracy.

The Audit Committee convenes at least four times a year. The results of these meetings are set down in minutes that are submitted to the Board of Directors along with any decisions that are taken. Information about the Audit Committee's operations and meeting results is included in the Company's annual report.

The Audit Committee immediately notifies the Board of Directors in writing of any findings it makes concerning its duties and areas of responsibility and of its assessments and recommendations concerning such matters.

b. Corporate Governance Committee

The Migros Board of Directors has set up a corporate governance committee to oversee corporate governance practices at the Company and to coordinate the activities of the Investor Relations Department. At its meeting on 9 October 2012, the board decided to elect Hakkı Hasan Yılmaz, Nicholas Stathopoulos, and Affan Nomak as the members of the Corporate Governance Committee. In compliance with CMB regulations, the board also decided to appoint Hakkı Hasan Yılmaz to head the committee.

It was decided that the Corporate Governance Committee should also fulfill the duties of both a nominating committee and a remuneration committee as is allowed by CMB Corporate Governance Communique II-17.1. Accordingly and in the fulfillment of its duties as a nominating committee, the Corporate Governance Committee is responsible for creating a transparent system capable of identifying, vetting, and training suitable candidates to fill seats on the Board of Directors and to undertake management positions that have administrative responsibilities and to develop policies and strategies for dealing with such issues. The Corporate Governance Committee also makes regular assessments of the structure and efficiency of the Board of Directors and submits to the board its recommendations for possible changes in such matters.

In the fulfillment of its duties as a remuneration committee, the Corporate Governance Committee determines and oversees principles, criteria, and practices which are to be used in the remuneration of members of the Board of Directors and of managers with administrative responsibilities and which take the Company's long-term goals into account. The committee submits to the Board of Directors its recommendations concerning the remuneration that is to be paid to members of the Board of Directors and to managers with administrative responsibilities subject to the degree to which the recipients have satisfied remuneration-related criteria.

As defined by the Board of Directors in accordance with the same communique and other pertinent laws, regulations, and administrative provisions, the principal activities of this committee consist of determining whether or not corporate governance principles are being complied with and, if they are not being complied with, of identifying the reasons why and also any conflicts of interest arising from less than full compliance; of making recommendations to the Board of Directors to improve corporate governance practices; and of overseeing the activities of the Investor Relations Department. The goal of these efforts is to continuously improve the Company's corporate governance practices. The committee consists of three members and meets four times a year.

c. Early Detection of Risk Committee

At a meeting of the Board of Directors held on 9 October 2012, it was decided to elect Tayfun Bayazıt, Jacob Cornelio Adriano de Jonge, Stefano Ferraresi, and Erkin Yılmaz to seats on an early detection of risk committee which had been set up in compliance

with the requirements of Turkish commercial law, capital market laws and regulations, and corporate governance principles. As also required by Capital Markets Board regulations, Jacob Cornelio Adriano de Jonge was designated as the committee's head.

As defined by the Board of Directors in accordance with the Turkish Commercial Code and capital market laws and regulations, the activities of the Early Detection of Risk Committee consist of identifying, at an early stage, risks that might endanger the Company's existence, well-being, and continuity; of taking measures needed to deal with such risks; and of managing risk. The Early Detection of Risk Committee performs a review of risk management systems at least once a year. The committee convenes six times a year.

5.4 Risk Management and Internal Control Mechanisms

The purpose of the Migros internal control system is to independently examine and provide company management with information about the functional, operational, and financial performance of processes and/or units so that any risks that are identified or foreseen may be managed. This system ensures that essential control mechanisms are installed and operate methodically.

In the conduct and performance of its financial and operational reviews, the Internal Audit Department adheres to the following principles.

- Effective and efficient utilization of the resources of the Company,
- Effectiveness of the internal control mechanisms on operations and activities,
- Reliability of financial statements,
- Confirmation of Company assets
- Efficiency and effectiveness of business operations,
- Compliance of employees with the quality management documentation and administrative instructions approved by the management,

The fundamental duties of the Internal Audit Department consist, among other things, of investigating/examining activities and transactions which previously had been determined and reported as having elements of risk in order to ascertain the degree to which such risks have been eliminated or brought under control in line with management-approved recommendations; performing follow-up reviews in situations where more detailed investigations and examinations are necessary.

Any irregularities that may be discovered during the course of review activities are investigated in detail with the aim of allowing measures to be taken as necessary while recommendations are also made concerning what action should be taken to deal with any losses which the Company is ascertained to have suffered. In all of these efforts, altering processes in such a way as to prevent recurrences of similar incidents is an issue of fundamental concern.

In line with risk analyses and the year's internal control plan, in 2014 the Internal Audit Department conducted financial and operational reviews of various departments and processes. Assessments and recommendations based on review results are submitted to company senior management along with the reports in which matters where improvements may be made in keeping with the philosophy of continuous development are also pointed out. Besides financial and operational reviews, the Internal Audit Department also conducts follow-up reviews on issues about which senior management was previously informed and it was agreed that measures needed to be taken.

An Early Detection of Risk Committee has been set up by the Board of Directors in compliance with the requirements of the Turkish Commercial Code, capital market laws and regulations, and CMB corporate governance communiques. Under a Board of Directors resolution dated 9 October 2012, Tayfun Bayazıt (independent board member), Jacob Cornelio Adriano de Jonge (independent board member), Stefano Ferraresi (board member), and Erkin Yılmaz (assistant general manager for financial affairs) were made members of this committee, which is chaired by Jacob Cornelio Adriano de Jonge in compliance with CMB regulations.

Within the scope of the restructuring activities regarding Enterprise Risk Management (ERM), a process is underway for obtaining consultancy service in relation to ERM to redefine, evaluate, monitor and manage existing and potential risk elements that may affect the attainment of the Company's goals.

5.5 Mission, Vision and Strategic Goals of the Company

The Company's vision is to be in tune with each and every consumer by providing a service in different formats in line with the strategy of expanding in the retail industry in Turkey and neighboring countries and always being ahead of consumer expectations.

The Company's mission is to play a leading role in improving the quality of life at home and abroad with a business structure that is as innovative and productive as it is customer-focused, trusted, and mindful of people, the community, and the environment; to generate long-term, satisfying returns for its employees, business partners, and shareholders; to maintain its sectoral leadership in growth and operational profitability.

In line with this mission, Migros structures its strategies to achieve sustainable quality and earn respect as the industry leader through an approach to customer satisfaction which raises the standards of retailing in the countries in which it is active.

The senior management of the Company develops strategies to achieve these objectives in accordance with the vision defined by the Board of Directors. Accordingly, our main strategy is to provide our customers with high quality, modern, reliable services at affordable prices. Targets set to achieve these strategies are shared with all the organizational units and supported by business plans. The Corporate Performance Management System in place facilitates monitoring and evaluation of these targets and business results as well as their assessment and revision whenever necessary.

Annual, quarterly and monthly reporting structures have been created to enable the Board of Directors to carry out its basic administrative functions such as planning, organizing and supervising.

Members are kept informed by means of annual meetings at which the most recent five-year plan is presented to the Board of Directors, by annual budget and review meetings, and by monthly meetings at which the Company's business results are presented and the board's feedback is solicited. Detailed monthly reports are also submitted to the board for its information. In this way, all of the members of the Board of Directors are able to track the Company's ongoing efforts to fulfill its targets and to immediately intervene and provide guidance when necessary.

5.6 Financial Rights Provided to Board Members and to Managers with Administrative Responsibilities

The financial rights to be provided to members of the Board of Directors are discussed as a separate agenda item at general assembly meetings. At the Migros extraordinary general assembly meeting held on 10 April 2014, it was decided to pay independent board members an attendance fee of TL 17,000 (gross) for each board meeting that they attend and not to pay a monthly honorarium to the other members. The remuneration of independent board members involves neither company stock options nor company performance-based compensation plans. All of the benefits provided to senior executives are declared in the footnotes to the financial statements.

The Remuneration Policy applicable to members of the Board of Directors and senior executives was submitted for the attention of shareholders at the annual general assembly meeting of 10 April 2014, and published on the corporate website at www.migroskurumsal.com.

Benefits Provided to Senior Executives During the Reporting Period

"Senior management" is defined as consisting of the chairman and members of the Company's Board of Directors, general manager and assistant general managers.

Details concerning benefits provided to senior executives during the two most recent reporting periods are presented below.

Benefits Provided to Senior Executives		
(TL thousand)	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Short-term benefits provided to employees	12,445	9,946
Total	**12,445**	**9,946**

The benefits provided to senior executives consist of salaries, bonuses, pension contributions, company-leased automobiles, and employer's share of social security premiums.

Migros makes no loans and extends no credit to any senior executive. Neither does it extend any form of personal credit to senior executives through third parties or otherwise provide senior executives with any form of surety.

OTHER ISSUES

Recent changes in both the Turkish Commercial Code and the Capital Markets Law will contribute to the growth and development of capital markets. During 2014 many changes were made in capital market laws and regulations and a substantial number of government communiques and regulations were published.

No administrative or criminal proceedings of a significant nature have been initiated against the Company or any of its board members on account of any violation of laws or regulations.

A number of lawsuits that have been filed against or in favor of the Company are currently being litigated. These suits are concerned primarily with receivable-, rent-, or business-related issues. At the end of each reporting period, the Company's management reviews and assesses the potential consequences and financial impact of such litigation and, based on its best judgment, provisions are set aside to cover likely losses or gains. Detailed information about such matters is provided in the footnote 15 of the consolidated financial statements. The Company is not a party to any mutual cross-shareholding.

Other issues related to corporate governance principles are presented below.

a) Company Disclosure Policy

Material events are publicly disclosed in a truthful and timely manner as prescribed by CMB Communique II-15.1 concerning such matters. In addition, any and all manner of significant information that might influence shareholders' and other stakeholders' decisions is also publicly disclosed. In the public disclosure of such information, the following channels are used depending on the nature and particulars of the announcement:

- Material event disclosures sent to the Public Disclosure Platform,
- Financial reports sent to the Public Disclosure Platform,
- Annual and interim reports,
- The corporate website at www.migroskurumsal.com,
- Informational and presentation documents published for stakeholders,
- Prospectuses, circulars, notices and other documentation issued pursuant to capital market laws and regulations,
- Printed and visual media press releases,
- Notices and announcements published in Türkiye Ticaret Sicili Gazetesi and in daily newspapers.

In order to ensure that shareholders and other stakeholders have convenient access to public disclosures such as presentations, press releases, and press conferences, such materials are also published on the Company's corporate website at www.migroskurumsal.com. Information publicly disclosed through the Public Disclosure Platform is also sent to financial data providers and to printed and visual media.

Statements about issues that may have an impact on the Company's future prospects are also publicly disclosed through the channels indicated above depending on their nature and as required by laws and regulations.

The identities of individuals who may have access to confidential company information before the public disclosure of material events are publicly disclosed. The names of the Company's board members and senior executives are published in the annual report along with that of the independent auditors. Information about any changes taking place in the Company's senior management during the reporting period was provided in the annual report.

In situations where CMB regulations require a public announcement concerning news, statements, and/or rumors about the Company which appear in the press, in other media, or on websites and of which the Company becomes aware, such disclosures are made, depending on the nature, through Public Disclosure Platform announcements, data providers, and/or written and visual media; similarly and in order to ensure that shareholders and other stakeholders have convenient access to such disclosures they are also published on the Company's corporate website at www.migroskurumsal.com.

The Migros Disclosure Policy is formulated by the Board of Directors and updated as circumstances and regulations dictate. This policy is presented to shareholders convened in a general assembly and then published on the Company's corporate website at www.migroskurumsal.com. The Investor Relations Department strives to respond to questions that shareholders ask the Company truthfully, completely, equitably, and within the framework of this disclosure policy.

The Migros Disclosure Policy requires that any and all manner of information must be provided upon request unless such information is in the nature of a trade secret or, if divulged, would give other individuals or organizations a competitive advantage over Migros or would have an adverse impact on the Company's activities.

Like its public disclosure policy, the Migros Dividend Policy is also formulated by the Board of Directors and publicly disclosed by being included in the Company's annual report, published on the Company's corporate website at www.migroskurumsal.com, and presented to shareholders convened in a general assembly.

When identifying individuals who will have administrative responsibility at the Company, the requirements and criteria stipulated in the Turkish Commercial Code (Statute 6102), the Capital Markets Law (Statute 6362), CMB communiques, and other applicable laws, regulations, and administrative provisions are taken into account.

b) Material Event Disclosures

During 2014 the Company submitted 38 material event disclosures to the Public Disclosure Platform. Whenever the Public Disclosure Platform demanded further information about such announcements or the Company's response to news appearing in the media, the Company responded to such requests urgently.

Periodic financial statements, notes, annual reports and interim annual reports are shared with the public to provide an accurate and complete view of the Company's financial position. Financial statements are prepared in compliance with national/international accounting standards in consolidated format in compliance with communiques issued by the CMB. The accounting policies of the Company are referred to in the notes to financial statements. The Company's annual reports are prepared in sufficient detail to allow all concerned parties to obtain the necessary information and are updated every fiscal year in line with the applicable legislation/needs.

After every public disclosure of the Company's quarterly financial statements in 2014, presentations and bulletins concerning them were published on the Company's corporate website at www.migroskurumsal.com to inform shareholders. The same information was simultaneously communicated to the Public Disclosure Platform.

The Company designates an independent audit firm each year and requires this independent audit firm to rotate after a given period. Consultancy services are not obtained from the firm designated as an independent auditor.

c) Disclosure of Ultimate Controlling Individual(s) Shareholder(s)

The shareholding structure of Migros Ticaret A.Ş. is presented below.

Shareholder Structure		
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**

There are no preferred shares.

Information about changes in the Company's capital structure taking place during the year was publicly disclosed immediately through the Public Disclosure Platform system. Such changes are also announced in the pertinent sections of the Company's 2014 annual report.

Under Material Events Communique II-15.1, material event disclosures must be made by any company chairman, board member, general manager, or assistant general managers, by any individual with significant decision-making responsibilities and authorities, by any shareholder who directly or indirectly controls more than 5% of the Company's capital or voting rights, and by anyone acting in concert with any of these whenever they purchase or sell shares in Migros. No such dealings of this nature occurred during the reporting period.

d) Public Disclosure of Individuals Who Are In a Position to Access Inside Information

Names of the members of the Board of Directors and auditors of our Company and of those in senior management positions as well as any changes to the senior management during the year are presented in the Annual Report. Individuals who have access to insider information about the Company are identified below.

Board of Directors	
Fevzi Bülent Özaydınlı	Chairman
Nicholas Stathopoulos	Member of the Board of Directors
Stefano Ferraresi	Member of the Board of Directors
Ömer Özgür Tort	Member of the Board of Directors / General Manager
Giovanni Maria Cavallini	Member of the Board of Directors
Glen Allen Osmond	Member of the Board of Directors
Jacob Cornelio Adriano de Jonge	Independent Member of the Board of Directors
Tayfun Bayazıt	Independent Member of the Board of Directors
Hakkı Hasan Yılmaz	Independent Member of the Board of Directors
Ahmet Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
Demir Aytaç	Assistant General Manager
Cem Lütfi Rodoslu	Assistant General Manager
Hakan Şevki Tuncer	Assistant General Manager
Tarık Karlıdağ	Assistant General Manager
Mustafa Murat Bartın	Assistant General Manager

As a consequence of its auditing functions, the Company's independent auditors DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) also has access to insider information.

The Board of Directors consists of nine members: Fevzi Bülent Özaydınlı (chairman), Nicholas Stathopoulos, Stefano Ferraresi, Ömer Özgür Tort, Giovanni Maria Cavallini, Glen Allen Osmond, Jacob Cornelio Adriano de Jonge, Tayfun Bayazıt, and Hakkı Hasan Yılmaz.

Detailed information about the members of the Migros Board of Directors is provided in the relevant section of the annual report.

e) Silent Period

The Chief Executive Officer, Chief Financial Officer, Finance Director, Corporate Communications Director, Investor Relations Group Head, and the Chairman and members of the Board of Directors and other Company executives designated by the Corporate Governance Committee are assigned to act as spokespeople to represent our Company in all contacts with shareholders, investors, brokerage analysts and other stakeholders through any communication channel, including the printed press, within the frame of the Company's disclosure policy.

Individuals designated as Company spokespeople are obliged to abide by the Silent Period practice, which starts one week before the disclosure of quarterly financial results and lasts until the date of such disclosure.

The beginning and ending dates of the Silent Period practice are published on the corporate website, under the heading Financial Calendar once the disclosure dates of financial statements are fixed. The disclosure dates of financial results and the corresponding Silent Periods are fixed before financial statements are disclosed, and announced by way of the Financial Calendar.

During the course of the Silent Period, Company spokespeople may not make comments regarding the Company's financial position, except for the information publicly disclosed in the name of the Company. In this period, analysts', investors' and similar individuals' questions about the financial position are left unanswered. Yet, people authorized to make public disclosures about the Company may participate in conferences, panels and similar events and deliver speeches during the Silent Period, strictly provided that they observe the confidentiality of inside information.

e) Relations with Customers and Suppliers

Getting to know its customers and markets by monitoring and acting proactively on them and pioneering change are among the crucial factors behind the innovative business style of Migros. For this reason, a number of "firsts" such as consumer rights took hold in the retail industry only after they were introduced by Migros as early as in the 1960s and 1970s. By introducing the Migros Club system for the first time in Turkey, in 1998, Migros had an opportunity to become better acquainted with its customers and provide them with differentiated service. And through this system, the Company gained the opportunity to approach its customers not only collectively but also individually by conducting customer data analyses. Migros aims to fulfill the expectations of its customers as satisfactorily as possible through the stores it operates in different formats.

In the retail industry where any product seen in any store can be imitated quickly, Migros' experience and deep-rooted innovation embedded in its corporate culture, as well as investments in supporting technology, together create a competitive advantage that cannot be easily replicated.

In the 1990s, Migros became the first retail company to introduce the barcode system and electronic cash registers which reduced waiting times at the checkout counters and decreased the Company's operating costs dramatically. Thanks to the B2B system which has been set up jointly with suppliers, all the parties involved benefit from savings in both logistics and costs. This system benefits all the stakeholders, and especially the Company's customers.

Migros has conducted a Customer Satisfaction Survey regularly since 1994. In 2014 survey, 4,052 of our customers who shop at our stores were asked about their opinion. The analyses undertaken on the survey results help us to have an idea about the current and future expectations of our customers. Occasional surveys conducted at kiosks inside the stores on specific matters provide the Company with the chance to hear the customers and their expectations.

Customer Relationship Management (CRM) analysis of Migros Club data and the mystery shopper surveys which are aimed at improving the service levels are quality-based performance tools specific to Migros.

Some of the other activities undertaken to achieve customer satisfaction include:

- Migros was awarded ISO 9001-2000 Quality Management System certification in August 2005
- Migros was awarded TS EN ISO 22000 Food Safety Management System certification by the Turkish Standards Institution (TSI) in December 2006. This certification covers retail, wholesale and online sales services as well as design and provision of organizational and logistic support services. In addition, Tansaş and Macrocenter stores were brought within the scope of TS EN ISO 9001-2000 certification which were awarded to the Company previously.
- Migros selects each of its suppliers after conducting appropriate due diligence. Suppliers are audited at regular intervals by reputable independent organizations and products are subjected to periodic quality audits. Private label products are also included in the same quality control process.
- In November 2014, the perspective of the Company's integrated quality management system was expanded with the inclusion of ISO 10002 Customer Satisfaction Management System certification.
- Since the day it was founded, Migros has striven to surpass its customers' expectations and to respond immediately to their requests. ISO 10002 certification is evidence of the Company's commitment to the principle of customer satisfaction. Besides enhancing its ability to overcome any customer disappointments, the system also makes improvements in service quality possible based on internal and external customer feedback.
- One of the social responsibility projects that Migros undertakes in the area of health and wellbeing is based on good agricultural practices (GAP), a collection of principles whose aim is to make agricultural production economically and socially viable and sustainable and to safeguard human, animal, and environmental health. Migros has been taking part in the Food, Agriculture and Livestock Ministry's "Good Farming = Good Future" GAP project since 14 September 2009.

- On 17 November 2009, Migros became the first retailer in Turkey to be awarded GAP group certification. The Company has continued to abide by GAP principles and its certification has been renewed every year since then.
- Having made internationally recognized food safety standards the touchstone of its practices and operations, Migros has adopted the mission of supplying wholesome products under safe conditions in order to guarantee the unreserved confidence of its customers. In line with this goal, food products are carefully and constantly monitored and controlled from initial procurement until they reach the consumer.
- Scrupulous attention is given in the choice of every supplier. Under Migros' Supplier Performance System, the production premises of all food suppliers are systematically inspected and monitored through food safety management systems. Products are randomly sampled and subjected to quality control analyses at regular intervals.
- Every new product to be put on sale at the Company's stores undergoes preliminary quality control performed by food safety quality experts consisting of food engineers and chemical engineers before it appears on the shelves.
- Before they enter the Company's warehouses, goods received from suppliers are subjected to detailed organoleptic, chemical, and physical analysis based on 81 quality control parameters defined for each product by quality control experts consisting of veterinarians, food engineers, and agricultural engineers on duty at Migros distribution centers. Goods that do not meet these stringent quality standards are rejected.
- Cold chain assurance, one of the most essential criteria in achieving food safety, is constantly monitored online at every stage from distribution center and storage, during shipment, and until it reaches the final consumer.
- Every food product that is put on Migros' shelves is randomly sampled and subjected to quality control analyses at regular intervals by accredited independent laboratories to ensure compliance with the Turkish Food Codex and with applicable laws, regulations, and administrative provisions.
- Non-food products such as toys, stationery, textiles etc that Migros imports directly itself are subjected to strict controls. Prior to their importation, the Company has these goods analyzed at accredited independent laboratories to ensure that they are safe and contain no harmful substances such as phthalate plasticizers or azo compounds.
- Migros house-brand food and non-food items are subjected to even stricter controls. Such goods are not put on sale until and unless their places of production, labeling, and other applicable parameters have been checked and their compliance with laws and regulations has been established. Even after they appear on the shelves, Migros reviews product safety by means of analyses performed at regular intervals.
- Products in stores and warehouses and on shelves are regularly checked by a team of store quality specialists consisting of veterinarians, food engineers, and agricultural engineers. During such checks, attention is given not just to cold chain continuity, labelling, and expiration dates but also to compliance with food safety system requirements.
- Personnel employed at all the stores attend training programs on hygiene in order to ensure food safety.
- The Company's stores are subjected to unannounced inspections performed by accredited independent agencies during which the stores' sections and storage areas are checked for compliance on twenty separate categories of quality and food safety issues such as cleanliness, personnel hygiene, cold chain maintenance etc so as to ensure the safety of every product sold to customers.
- In the promotional program of the Company we call "Aksiyon", products are offered for sale at discount prices for a period of 15 days
- All customer suggestions received at the stores or the Call Center are evaluated and the results are communicated to customers as soon as possible. Customers can forward their complaints quickly and easily to company store managers via a toll-free customer line and by e-mail which can be sent to managers at all levels.
- In keeping with its objective of exceeding customer expectations and making life easier through innovations, Migros introduced the first self-checkout solution "Jet kasa" to its customers in Turkey. "Jet kasa" eliminates the need to wait in line and allows customers to check-out by themselves in three easy steps. As the number of customers using 'Jet kasa' increases by the day, so does the number of stores featuring this facility.
- Efforts to ensure full customer satisfaction are presented in the relevant section of the Annual Report.

f) Authorities and Responsibilities of Board Members and Managers

The duties and authorities of board members and managers are explicitly defined in the Company's articles of association, which may be found on the Company's corporate website at www.migroskurumsal.com.

The Migros Board of Directors is empowered to take decisions on all matters pertaining to whatever kinds of business and/or transactions are necessary for the Company to achieve its object and scope save for those that are exclusively reserved to the general assembly of shareholders by laws and regulations or by the Company's charter.

Managers' authorities and responsibilities are defined in their power of signature statements.

g) Prohibition on Doing Business with or Competing against the Company

No member engaged in any business transaction involving the Company or took part in any activity that could be deemed to be in competition with the Company.

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

DRT Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No: 1
Maslak, Sarıyer 34398 İstanbul, Türkiye
Tel: +90 (212) 366 6000
Fax: +90 (212) 366 6010
www.deloitte.com.tr

Deloitte.

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

Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards

We have audited the annual report of Migros Ticaret A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group") for the period ended 31 December 2014.

Management's Responsibility for the Annual Report

The Group Management is responsible for the preparation and fair presentation of the annual report which is consistent with the consolidated financial statements in accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"), and for such internal control as management determines relevant to the preparation and fair presentation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the Communiqué. Our audit involves whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion

In our opinion, the financial information provided in the Management's annual report, in all material respects, are fairly presented and consistent with the audited consolidated financial statements.

Other Legal and Regulatory Requirements

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Company may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Koray Öztürk,
Partner

İstanbul , 11 March 2015

MİGROS TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

INDEPENDENT AUDITOR'S REPORT

DRT Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No: 1
Maslak, Sarıyer 34398 İstanbul, Türkiye
Tel: +90 (212) 366 6000
Fax: +90 (212) 366 6010
www.deloitte.com.tr

Deloitte.

To the Board of Directors of

Migros Ticaret A.Ş.

1. We have audited the accompanying consolidated statement of financial position of Migros Ticaret A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group") as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Turkish Auditing Standards published by POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Migros Ticaret A.Ş. and its subsidiaries as at 31 December 2014, and of their financial performance and their cash flows for the year then ended in accordance with TAS (please see Note 2 below).

Other Matters

5. In accordance with Article 402 of Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation in terms of audit; and nothing has come to our attention that may cause us to believe that the Company's set of accounts prepared for the period 1 January-31 December 2014 does not comply with the code and the provisions of the Company's articles of association in relation to financial reporting.
6. In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.
7. In accordance with paragraph four of the Article 398 of TCC, the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 11 March 2015.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Koray Öztürk
Partner

İstanbul, 11 March 2015

CONTENTS

AUDITED CONSOLIDATED FINANCIAL POSITION AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

	Notes	Audited 31 December 2014	Audited 31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	4	689.074	1.038.329
Financial investments	5	-	9.726
Trade receivables	7	47.847	48.395
- Due from related parties	27	44	55
- Other trade receivables		47.803	48.340
Other receivables		7.672	2.285
- Other receivables	8	7.672	2.285
Derivative financial instruments	28	874	879
Inventories	9	962.885	851.243
Prepaid expenses	10	20.210	28.635
Other current assets	17	672	1.235
Total current assets		1.729.234	1.980.727
Non-current assets			
Financial investments	5	1.695	1.695
Other receivables		1.691	1.434
- Other receivables	8	1.691	1.434
Derivative financial instruments	28	9	70
Investment properties	11	47.493	46.267
Property, plant and equipment	12	1.287.301	1.233.665
Intangible assets		2.500.844	2.501.008
- Goodwill	14	2.251.427	2.251.427
- Other intangible assets	13	249.417	249.581
Prepaid expenses	10	25.228	31.769
Total non-current assets		3.864.261	3.815.908
Total assets		5.593.495	5.796.635

The accompanying notes form an integral part of these consolidated financial statements.

AUDITED CONSOLIDATED FINANCIAL POSITION AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

	Notes	Audited 31 December 2014	Audited 31 December 2013
LIABILITIES			
Current liabilities			
Short term portion of the long term borrowings	6	569.963	491.973
Trade payables	7	1.896.387	1.685.963
- Due to related parties	27	1.170	734
- Other trade payables		1.895.217	1.685.229
Employee benefit obligations	16	43.528	34.909
Other payables		44.186	33.291
- Other payables	8	44.186	33.291
Derivative financial instruments	28	2.229	-
Deferred income	10	4.118	3.612
Taxes on income	25	3.115	18.327
Short term provisions		134.065	75.007
- Short term provisions for employee benefits	16	62.984	52.577
- Other short term provisions	15	71.081	22.430
Other current liabilities	17	18.339	17.587
Total current liabilities		**2.715.930**	**2.360.669**
Non-current liabilities			
Long term borrowings	6	1.782.826	2.440.568
Other payables		2.963	3.244
- Other payables	8	2.963	3.244
Derivative financial instruments	28	-	869
Deferred income	10	1.551	2.250
Long term provisions		55.848	43.954
- Long term provisions for employee benefits	16	55.848	43.954
Deferred income tax liabilities	25	115.211	114.857
Total non-current liabilities		**1.958.399**	**2.605.742**

	Notes	Audited 31 December 2014	Audited 31 December 2013
EQUITY			
Attributable to equity holders of the parent		**918.612**	**829.533**
Share capital	18	178.030	178.030
Other capital reserves	18	(365)	(365)
Additional contribution to shareholders' equity related to merger	18	27.312	27.312
Share premium	18	678.233	678.233
Items that will not be reclassified subsequently to profit or loss			
- Defined benefit plans re-measurement gains/losses	18	(11.347)	(12.839)
Items that may be reclassified subsequently to profit or loss			
- Cumulative translation differences	18	30.196	41.122
Restricted reserves	18	504.766	504.766
Retained earnings	18	(586.726)	(123.551)
Net income/(loss) for the period	18	98.513	(463.175)
Non-controlling interest		**554**	**691**
Total equity		**919.166**	**830.224**
Total liabilities and equity		**5.593.495**	**5.796.635**

The accompanying notes form an integral part of these consolidated financial statements.

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
PROFIT OR LOSS			
Revenue	3,19	8.122.667	7.126.925
Cost of sales (-)	3,19	(5.956.383)	(5.232.223)
GROSS PROFIT	3,19	2.166.284	1.894.702
General administrative expenses (-)	20	(282.443)	(252.983)
Marketing, selling and distribution expenses (-)	20	(1.555.839)	(1.350.279)
Other operating income	21	60.594	54.846
Other operating expenses (-)	21	(153.333)	(110.244)
OPERATING PROFIT	3	235.263	236.042
Income from investment activities	22	1.362	1.650
Expenses from investment activities (-)	22	(3.126)	(7.405)
OPERATING INCOME BEFORE FINANCE EXPENSES/ INCOME	3	233.499	230.287
Financial income	23	133.492	114.568
Financial expenses (-)	24	(182.993)	(729.572)
NET INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	3	183.998	(384.717)
Tax expense from continuing operations	25	(85.492)	(78.416)
- Income tax expense	25	(85.278)	(70.938)
- Deferred tax expense	25	(214)	(7.478)
NET INCOME/(LOSS) FROM CONTINUING OPERATIONS		98.506	(463.133)
NET INCOME/(LOSS)		98.506	(463.133)
Net income/(loss) attributable to:			
- Non-controlling interest		(7)	42
- Equity holders of the parent		98.513	(463.175)
		98.506	(463.133)
Earnings/(loss) per share (Kr)	26	0,55	(2,60)

The accompanying notes form an integral part of these consolidated financial statements.

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Net profit/(loss) for the period	98.506	(463.133)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(11.056)	30.276
Actuarial gain	1.492	1.005
Other comprehensive (loss)/income	(9.564)	31.281
Total comprehensive income/(loss)	88.942	(431.852)
Total comprehensive income/(loss) attributable to:		
- Non-controlling interest	(137)	169
- Equity holders of the parent	89.079	(432.021)
	88.942	(431.852)

The accompanying notes form an integral part of these consolidated financial statements.

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

					Items that will not be reclassified subsequently to profit or loss
	Share capital	Other capital reserves	Additional contribution to equity related to merger	Share premium	Defined benefit plans, re-measurement gains/ (losses)
Balances at 1 January 2013	178.030	(365)	27.312	678.233	(13.844)
Transfers	-	-	-	-	-
Total comprehensive income	-	-	-	-	1.005
Net period income	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	-	-	-	-	1.005
Balances at 31 December 2013	178.030	(365)	27.312	678.233	(12.839)
Balances at 1 January 2014	178.030	(365)	27.312	678.233	(12.839)
Transfers	-	-	-	-	-
Total comprehensive income	-	-	-	-	1.492
Net period income	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	-	-	-	-	1.492
Balances at 31 December 2014	178.030	(365)	27.312	678.233	(11.347)

The accompanying notes form an integral part of these consolidated financial statements.

	Items that may be reclassified subsequently to profit or loss		Retained earnings				
	Cumulative translation differences	Restricted reserves	Accumulated profit/(losses)	Net income/ (loss) for the period	Attributable to owners of the parent	Non-controlling interest	Total equity
	10.973	504.766	(211.614)	88.063	1.261.554	522	1.262.076
	-	-	88.063	(88.063)	-	-	-
	30.149	-	-	(463.175)	(432.021)	169	(431.852)
	-	-	-	(463.175)	(463.175)	42	(463.133)
	30.149	-	-	-	30.149	127	30.276
	-	-	-	-	1.005	-	1.005
	41.122	504.766	(123.551)	(463.175)	829.533	691	830.224
	41.122	504.766	(123.551)	(463.175)	829.533	691	830.224
	-	-	(463.175)	463.175	-	-	-
	(10.926)	-	-	98.513	89.079	(137)	88.942
	-	-	-	98.513	98.513	(7)	98.506
	(10.926)	-	-	-	(10.926)	(130)	(11.056)
	-	-	-	-	1.492	-	1.492
	30.196	504.766	(586.726)	98.513	918.612	554	919.166

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
A. Cash flows from operating activities			
Income/(loss) for the period		98.506	(463.133)
Adjustments for reconciliation of profit/(loss) before taxation			
Adjustments for depreciation and amortisation	11,12,13	161.845	143.314
Adjustments for provision for employment termination benefits	16	31.751	24.789
Adjustments for provision for unused vacation	16	17.271	14.472
Adjustments for provision for litigation	15	7.968	5.919
Adjustments for doubtful receivable provision	21	3.135	5.309
Adjustments for income tax expense/income	25	58.015	78.416
Additional tax provision for prior years	25	27.484	-
Interest income	21,23	(64.713)	(51.281)
Interest expense	21,24	267.491	205.751
Adjustments for unrecognized foreign exchange differences		(118.569)	580.472
Adjustments for fair value losses arising from derivatives	23,24	8.658	(1.241)
Adjustments for (loss)/gain on sale of property, plant and equipment	12,13,22	337	(481)
Adjustments for impairment/reversal of property, plant and equipment	12	1.427	6.236
		500.606	548.542
Changes in working capital			
Adjustments for increase/decrease in inventories	9	(111.642)	(65.207)
Adjustments for increase/decrease in trade receivables		(2.587)	(6.359)
Adjustments for increase/decrease in other receivables related with operations		19.611	(14.994)
Adjustments for increase/decrease in trade payables		210.426	131.919
Adjustments for increase/decrease in other payables related with operations		19.791	10.041
		636.205	603.942
Cash flows from operating activities			
Employment termination benefits paid	16	(17.992)	(15.413)
Unused vacation paid	16	(6.864)	(4.760)
Interest received	21	56.969	40.081
Interest paid	21	(129.208)	(84.596)
Taxes paid/return	25	(73.013)	(61.084)
Compensations paid	15	(3.820)	(5.359)
		462.277	472.811

The accompanying notes form an integral part of these consolidated financial statements.

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
B. Cash flows from investing activities			
Cash inflows from the sale of tangible and intangible assets	12,13,22	5.983	2.345
Cash outflows from the purchase of tangible and intangible assets	12,13,22	(231.776)	(225.576)
		(225.793)	(223.231)
C. Cash flows from financing activities			
Cash outflows due to debt repayments		(459.079)	(135.255)
Cash paid with respect due to derivative instruments		(7.231)	(19.925)
Interest received		7.744	11.200
Interest paid		(123.367)	(120.202)
		(581.933)	(264.182)
D. Impact of foreign currency translation differences on cash and cash equivalents		(3.806)	12.064
Net increase/(decrease) in cash and cash equivalents		(349.255)	(2.538)
Cash and cash equivalents at the beginning of the period		1.038.329	1.040.867
Cash and cash equivalents at the end of the period		689.074	1.038.329

The accompanying notes form an integral part of these consolidated financial statements.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Migros Ticaret A.Ş., previously named as Moonlight Perakendecilik ve Ticaret Anonim Şirketi ("Moonlight"), (collectively referred to as "Migros Ticaret" or the "Company"), was established on 19 March 2008 and is registered in Istanbul, Turkey under the Turkish Commercial Code.

Moonlight acquired 50,83% of Migros Türk Ticaret A.Ş. ("Migros Türk") shares on 30 May 2008 from Koç Holding A.Ş. ("Koç Holding") at a price of TL 1.922.440 subsequent to the approval of the Competition Board. As of 31 December 2008, Moonlight had increased its shares in Migros to 97,92% as a result of purchases made in Istanbul Stock Exchange on various dates.

In accordance with the decision taken during Migros Türk's general assembly held on 28 April 2009, Migros Türk decided to merge with Moonlight through a takeover of its assets and liabilities as a whole within the framework of Capital Markets Board ("CMB") regulations, Turkish Commercial Code, Law No. 451, and other related articles and Corporate Tax Law No. 19-20. As a result of the mentioned merger, Moonlight's capital was decided to be increased from TL 174.323.340 to TL 178.030.000 (Amount expresses in Turkish Lira) and in accordance with the merger agreement approved during the General Assembly, merger ratio of 0,97918 and share exchange ratio of 1,00 was determined. As a result of the merger, registered shares amounting to TL 3.706.660 (Amount expresses in Turkish Lira) issued by Moonlight were distributed to the minority shareholders of Migros Türk in exchange for their Migros Türk shares.

The General Assembly held on 28 April 2009 regarding the merger was registered on 30 April 2009 and the merger had been legally recognised on that date. As a result of the merger, Moonlight's trade name has been changed as Migros Ticaret A.Ş.

The Company and its subsidiaries together will be referred as "the Group".

MH Perakendecilik ve Ticaret A.Ş ("MH") transfered its Migros Ticaret A.Ş shares with the nominal value of 27.371.000 TL to its parent company, Moonlight Capital SA, in exchange for 26 TL per share on 13 November 2014. MH Perakendecilik ve Ticaret A.Ş ("MH") transfered its Migros Ticaret A.Ş shares with the nominal value of 26.937.336 TL to its parent company, Moonlight Capital SA, in exchange for 26 TL per share on 31 December 2014. As a result of these transactions, as of 31 December 2014, the shareholding of "MH" and Moonlight Capital SA are 50,00% and 30,51%, respectively.

The Company is mainly engaged in the retail sales of food and beverages, consumer and durable goods through its Migros, MJet, 5M, Tansaş and Macrocenter banner stores in Turkey, shopping centers, Ramstores banner stores abroad and internet. The Company also rents floor space in the shopping malls to other trading companies. As of 31 December 2014, the Group operates in 1.190 stores (31 December 2013: 1.004) with a net retail space of 952.615 (31 December 2013: 897.119) square meters. As of 31 December 2014, the Group employed 19.037 people (31 December 2013: 18.219) on average. Retail is the main business segment of the Group and constitutes almost 96,9% of gross sales (31 December 2012: 96,9%).

The address of the registered office is as follows:

Migros Ticaret A.Ş.

Atatürk Mah., Turgut Özal Blv.,

No: 7 Ataşehir İstanbul

These consolidated financial statements have been approved for issue by the Board of Directors "(BOD)" on 11 March 2015 and signed by Ö.Özgür Tort, General Manager, and Erkin Yılmaz, Assistant General Manager, on behalf of the BOD. The owners of the Company have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

Subsidiaries:

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

Subsidiary	Country of incorporation	Geographical segment	Nature of business	31 December 2014 %	31 December 2013 %
Ramstore Bulgaria E.A.D. ("Ramstore Bulgaria")	Bulgaria	Bulgaria	Dormant	100,0	100,0
Ramstore Kazakhstan LLC ("Ramstore Kazakhstan")	Kazakhstan	Kazakhstan	Retailing	100,0	100,0
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Bulgaria	Retailing	99,0	99,0
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez") (*)	Turkey	Turkey	Dormant	100,0	100,0

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The subsidiaries that operate in foreign countries maintain their books of account and prepare their statutory financial statements in compliance with legislation and local currency of those countries.

The attached consolidated financial statements are prepared in accordance with the decree Series II No: 14.1 "Principals Relating to the Financial Reporting Standards in Capital Markets" ("Decree") issued by Capital Markets Board ("CMB") on 13 June 2013 and published in the Official Gazette numbered 28676 and are based on the Turkish Accounting Standards/Turkish Financial Reporting Standards and relating interpretations which became effective with the 5th Article of the Decree in consideration by Public Oversight Accounting and Auditing Standards Authority.

The financial statements have been prepared on the historical cost basis except for the financial assets and liabilities which are expressed with their fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in TL, which is the functional currency of Migros Ticaret A.Ş. and the presentation currency of the Group.

Restatement of the Financial Statements in Hyperinflationary Periods

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards, the application of inflation accounting is no longer required. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the TASB, has not been applied in the financial statements for the accounting periods starting 1 January 2005.

Comparative Information and Restatement of Prior Period Financial Statements

The Group re-evaluated its restricted reserves and reclassified TL 65.816 from gain on disposal of subsidiary and TL 53.094 from retained earnings to restricted reserves.

2.2 Changes in the Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

The Group's significant accounting policies that are used for the preparation of condensed consolidated financial statements as of 31 December 2014 are consistent with accounting policies presented in the consolidated financial statements as 31 December 2013.

2.3 Changes in the Accounting Estimates and Errors

The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods. The Group did not have any major changes in the accounting estimates during the current year.

Significant accounting errors are corrected retrospectively, by restating the prior period consolidated financial statements.

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TASs affecting amounts reported and the disclosures in the consolidated financial statements

None.

b) New and revised TASs with no material effect on consolidated financial statements

Amendments to TFRS 10, 11, TAS 27	*Investment Entities*[1]
Amendments to TAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to TAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to TAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Amendments to TAS 21	*Effects of Changes in Exchange Rates*[2]

[1] Effective for annual periods beginning on or after 1 January 2014.

[2] Effective after publish date of 12 November 2014.

Amendments to TFRS 10, 11, TAS 27 *Investment Entities*

This amendment with the additional provisions of TFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to TAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to TAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendments to TAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

As a consequence of TFRS 13 "Fair Value Measurements", there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of TAS 36 has been changed.

Amendments to TAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

This amendment to TAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRIC 21 *Levies*

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

Amendments to TAS 21 *Effects of Changes in Exchange Rates*

Article (b) of the 39th paragraph of the standard of Changes in Exchange Rates was amended as below;

"(b) In each table related to profit and loss and other comprehensive income (including comparative amounts), income and expenses are translated by exchange rates valid on transaction dates.

c) New and Revised TASs in issue but not yet effective

The Group has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 9	*Financial Instruments*
Amendments to TFRS 9 and TFRS 7	*Mandatory effective date for TFRS 9 and Transition Explanations*
Amendments to TAS 19	*Defined Benefit Plans: Employee Contributions* 1
Annual Improvements to 2010-2012 Cycle	*TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39* [1]
Annual Improvements to 2011-2013 Cycle	*TFRS 3, TFRS 13, TAS 40* [1]
Amendments to TFRS 11 and TFRS 1	*Accounting for Acquisition of Interests in Joint operations* [2]
Amendments to TAS 16 and TAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [2]
Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	*Agriculture: Bearer Plants* [2]

[1] Effective for annual periods beginning on or after 30 June 2014.

[2] Effective for annual periods beginning on or after 31 December 2015.

TFRS 9 *Financial Instruments*

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of TFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

Amendments to TFRS 9 and TFRS 7*: Mandatory effective date for TFRS 9 and Transition Explanations*

On November 2013, mandatory application date for TFRS 9 was postponed to no earlier than 1 January 2018. This amendment has not been published by POA.

Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

TFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

TFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

TFRS 8: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

TFRS 13: Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

TAS 16 and TAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

TAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

TFRS 3: Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

TFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

TAS 40: Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

Amendments to TFRS 11 and TFRS 1 *Accounting for Acquisition of Interests in Joint operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TFRSs, except for those principles that conflict with the guidance in TFRS 11
- disclose the information required by TFRS 3 and other TFRSs for business combinations.

This amendment to TFRS 11 caused amendments in the related sections of TFRS 1.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 *Agriculture: Bearer Plants*

This amendment include "bearer plants" within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 caused amendments in the related sections of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

The Group evaluates the effects of these standards on the consolidated financial statements.

2.5 Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company, Migros Ticaret, and its Subsidiaries on the basis set out in sections (b), to (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of Subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

b) Subsidiaries are companies over which Migros Ticaret has capability to control the financial and operating policies for the benefit of Migros Ticaret, through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself having the power to exercise control over the financial and operating policies.

The table below sets out all Subsidiaries and demonstrates their shareholding structures:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	2014	2013
Ramstore Bulgaria [(1), (2)]	100,00	100,00
Ramstore Kazakhstan [(1)]	100,00	100,00
Ramstore Macedonia [(1)]	99,00	99,00
Sanal Merkez [(3)]	100,00	100,00

[(1)] The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Company and its Subsidiaries in the Subsidiaries are eliminated from equity and income for the period, respectively.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Where necessary, accounting policies of Subsidiaries have been changed to ensure the consistency with the policies adopted by the Group.

[(2)] Ramstore Bulgaria closed down its three stores and ceased its retail operations as of March 2007.

[(3)] Sanal Merkez are excluded from the scope of consolidation on the grounds of materiality. The subsidiary has been classified and accounted for as financial assets in the consolidated financial statements (Note 5).

c) The results of foreign Subsidiaries are translated into Turkish Lira at average rates for the period. The assets and liabilities of foreign subsidiaries are translated into Turkish Lira at the closing rate for the period. Exchange differences arising on the retranslation of the opening net assets of foreign Subsidiaries and differences between the average and year-end rates are included in the translation reserve.

d) The minority shareholders' share in the net assets and results for the period for Subsidiaries are separately classified in the consolidated balance sheet and statement of income as non-controlling interest and income or loss attributable to non-controlling interest, respectively.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.6 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarized below. These accounting policies are applied on a consistent basis for the comparative balances and results, unless otherwise indicated.

a) Revenue

(a) Sales of goods - Retail

The Group operates in the retail sales of food and beverages, consumer and durable goods through its stores, shopping centers, Ramstores Banner abroad and internet sales. Sales of goods are recognised when a group entity sells a product to a customer. Retail sales are usually made against a cash or credit card payment.

Revenues and discounts from suppliers, sales premiums and advertising participation fees are accounted on an accrual basis and booked against cost of goods sold.

(b) Sales of goods - Wholesale

Revenue from the sales of goods is recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products were shipped to the specified location, the risks of obsolescence and loss were transferred to the wholesaler, the wholesaler accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has an objective evidence that all criteria for acceptance are satisfied. Sales are recorded based on the price specified in the sales contracts, net of the discounts if available and returns at the time of sale.

(c) Other Revenue

Other revenues earned by the Group are recognised on the following bases:

Rent and royalty income - on accrual basis

Interest income - according to the effective interest method

Dividend income - when the right to receive payment is established.

b) Inventories

Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost is determined by the most recent purchase method. The cost of borrowings is not included in the costs of inventories. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

c) Property, plant and equipment

Property, plant and equipment obtained before 1 January 2005 are carried at the cost restated to the equivalent purchasing power at 31 December 2004 and the acquisition value of current period additions less accumulated depreciation and, if any, impairment (Note 12). Depreciation is provided over the economic useful lives for property, plant and equipment on a straight-line basis. Since land does not have definite useful lives, land is not depreciated.

The depreciation period for property, plant and equipment which approximate the economic useful lives of such assets, are as follows:

	Useful Lives (Years)
Buildings	25-50
Leasehold improvements	over period of lease (*)
Machinery and equipment	4-10
Furniture and fixtures	5-12
Motor vehicles	4-8

(*) Leasehold improvements include the expenses made for the leased properties and are depreciated over the shorter of the lease term and their useful lives.

Depreciation is provided for assets when they are ready for use. Depreciation continues to be provided on assets when they become idle.

Gains or losses on disposals of property, plant and equipment are included in the related income or expense accounts, as appropriate.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or fair value less cost to sell.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. Repairs and maintenance are charged to the statements of income during the financial year in which they are incurred.

d) Intangible assets (excluding goodwill)

Intangible assets are comprised of acquired brands, rent agreements, trademarks, patents and computer software (Note 13).

a) Brands

Brands that are acquired separately are accounted for at their acquisition cost, and brands that are acquired as a part of business combination are accounted for at their fair value in the consolidated financial statements. The Group assessed the useful life of brand as indefinite since there is no foreseeable limit to the period over which a brand is expected to generate net cash inflows for the Group.

A brand is not subject to amortisation as it is considered to have an indefinite useful life. A brand is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount when the carrying amount of the brand exceeds its recoverable amount.

b) Rent Agreements and other intangible assets

Rent agreements are designated as intangible assets by the Group and consist of taken over rent agreements of the stores that purchased. Lease contracts are recorded at their fair values at the date of purchase, and amortised during the contract period.

c) Computer software (Rights)

Rights arising on computer software are recognised at its acquisition cost. Computer software is amortised on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. The estimated useful life of computer software is 5 years.

d) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

e) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

e) Business combinations and goodwill

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of TFRS 3.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

f) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset other than deferred tax asset, intangible assets with indefinite useful lives, financial assets at fair value and goodwill may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognised immediately in profit or loss. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

An impairment loss recognised in prior period for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment loss and shall not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognized as income in the consolidated financial statements.

g) Financial liabilities and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

h) Financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 4).

Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost using the effective interest rate method.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Financial assets

Financial assets are initially recognized in the consolidated financial statements at their acquisition costs including the operational costs. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale in accordance with the requirements of TAS 39, "Financial Instruments". These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of the assets below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value- is removed from "Financial Assets Fair Value Reserve" in equity and the remained amount recognized as loss in the comprehensive income statement of the period.

The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognised in "Financial Assets Fair Value Reserve" in equity. Gains and losses previously recognized in "Financial Assets Fair Value Reserve" are transferred to the statement of income when such available-for-sale financial assets are derecognised.

Available-for-sale assets that do not have a quoted market price in active markets and whose fair value cannot be measured reliably, the fair value of these assets are determined by using valuation techniques. These valuation techniques include taking as a basis the current transactions compatible with market conditions and other similar investment tools and the discount cash flow analyses considering the conditions specific for the company invested in.

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value.

i) Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

j) Earnings per share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

k) Subsequent events

Subsequent events are composed of any event between the balance sheet date and the publication date of the balance sheet, even if they arise after any announcements of profits or other financial data.

The Group restates its consolidated financial statements if such subsequent events arise.

l) Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

m) Leases

(1) The Group as the lessee

Finance leases

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged as expense to the statement of income. Depreciation on the relevant asset is also charged to the statement of income over its useful life.

Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(2) The Group as the lessor

Operational leases

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated balance sheet and rental income is recognised on a straight-line basis over the lease term.

n) Related parties

Shareholders who have control or common control on the Group, the companies or affiliates controlled by or affiliated to the shareholders, key management personnel and members of the board of directors, their families, the companies or affiliates controlled by or affiliated to them are deemed related parties in accordance with the aim of these consolidated financial statements (Note 27).

o) Segment reporting

The operating segments are evaluated in parallel to the internal reporting and strategic sections presented to the organs or persons authorised to make decisions regarding the activities of the Group. The organs and persons authorised to make strategic decisions regarding the Group's activities with respect to the resources to be allocated to these sections and their evaluation are defined as the Group's senior managers of the Group. The Group's senior managers follow up the Group's activities on a geographical basis (Note 3).

p) Government incentives and grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

q) Investment property

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives that until 50 years (Note 11).

Investment properties are reviewed for impairment losses. Where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of future net cash flows from the recognised of this investment property or fair value less cost to sell.

r) Current and deferred income tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly. Deferred tax assets and liabilities are classified as long term assets and liabilities at the consolidated financial statements.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

s) Employee termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value according to actuarial estimations is calculated by using estimated liability method. All actuarial gains and losses are recognised in consolidated statements of income (Note 16).

t) Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Group generated from retailing activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months and which are subject to an insignificant risk of changes in value (Note 4).

u) Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net provided that the nature of the transaction or the event will qualify for offsetting.

v) Derivative financial instruments and hedging activities

Derivatives are initially recognised at acquisition cost including the transaction fees on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and cap options.

The fair value of financial instruments that are not traded in an active market (for example, forward contracts and cap options) is determined by using valuation techniques. The Company is utilizing observable market data at the valuation process.

w) Dividends

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). As a part of distribution of dividends, dividend liabilities are reflected to consolidated financial statements as liabilities, on the period of declaration.

x) Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

y) Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies (Note 18).

z) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

aa) Deferred finance income/charges

Deferred finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses.

2.7 Critical Accounting Estimates and Assumptions

The preparation of financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below.

(a) Goodwill impairment tests

As explained in Note 2.6.f, the Group performs impairment tests on goodwill annually at 31 December. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. Those calculations are based on discounted net cash flow after tax projections which are based on the Group's eight-year business plans. Those projections are calculated in terms of TL and the growth rate expected to be realized after eight years is assumed to be nil. Discount rate used to calculate the present value of net cash flows is 7,0% annually, after tax, and includes the Group's specific risk factors as well (Note 14).

(b) Impairment on Leasehold Improvements

As explained in Note 2.6.c, property, plant and equipment are carried at the cost less accumulated depreciation and, if any, impairment. The Group evaluates its operational performance on a store-by-store basis and each store's continuity depends on the discounted net cash flow projections. Those cash flow projections are calculated, on a consistent basis to the Group's five year business plans and on a store-by-store basis by taking into consideration the remaining useful life of each store. In this context, the Group executed an impairment estimate on the leasehold improvements on stores by considering the continuity of each store (Note 12).

(c) Impairment on intangible assets

As explained in Note 2.6.d, intangible assets such as trademarks and other intangible assets with indefinite useful lives are not amortised. Instead, those assets are tested whether there is impairment on the carrying amount of them. The Group performs this test for intangible assets by comparing the brand's carrying amount to the discounted cash flow projections of the assets which are calculated on the basis of Group's five year business plans. The Group has performed an impairment test on intangible assets at 31 December 2013 and has not identified any impairment as a result of this test (Note 13).

(d) Provisions

As explained in Note 2.6.l, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation. In this context, the Group has evaluated the legal proceedings and damage claims raised against in courts as at 31 December 2013 and for the ones where the Group estimates more than 50% probability of losing the cases in courts, necessary provisions are accounted for in the consolidated financial statements (Note 15).

(e) Taxes on income

As explained in Note 2.6.r, a provision is recognized for the current year tax liability based on the period results of the Group at the balance sheet date. Tax legislations in the Group's subsidiaries' operating countries are subject to different manners of interpretation and subject to be altered frequently. Accordingly, the interpretation of tax implications regarding the operations of subsidiaries in foreign countries by the tax authorities may differ from the interpretation of the management. Consequently, the Group may encounter additional taxes, penalties and interests (Note 15.d). As of 31 December 2013, the Group has evaluated the possibility of any tax exposure that may arise in foreign subsidiaries and has not identified any necessity to recognize a provision.

(f) Accounting of derivative financial instruments and hedging activities

Derivatives are initially recognised at acquisition cost including the transaction fees on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts, cap options and interest rate swap.

The fair value of financial instruments that are not traded in an active market (for example, forward contracts, interest rate swap contracts and cap options) is determined by using valuation techniques. The Group is utilizing observable market data at the valuation process.

NOTE 3 - SEGMENT REPORTING

Management determines the operating segments based on the reports analyzed and found effective in strategic decision making by the Board of Directors.

Management assesses the Group's performance on a geographic level as Turkey and other countries since the gross sales of these subsidiaries are below 10% of the Group sales. Reportable operating segment revenue comprises primarily retail sales, rent income and wholesales. Rent income and wholesale revenues are not recognized as reportable segments as they are not stated in detail in the reports provided to the board of directors. The board of directors assesses the performance of the operating segments based on a measure of Earning Before Interest, Tax, Depreciation and Amortisation, "EBITDA" and Earning Before Interest, Tax, Depreciation, Amortisation and Rent, "EBITDAR".

The segment information provided to the board of directors as of 31 December 2014 is as follows:

a) Segment analysis for the period 1 January - 31 December 2014

	Turkey	Other countries	Combined total	Intersegment elimination	Total
External revenues	7.684.355	438.312	8.122.667	-	8.122.667
Inter segment revenues	5.179	-	5.179	(5.179)	-
Sales revenue	7.689.534	438.312	8.127.846	(5.179)	8.122.667
Cost of goods sold	(5.634.647)	(326.915)	(5.961.562)	5.179	(5.956.383)
Gross profit	2.054.887	111.397	2.166.284	-	2.166.284
Selling and marketing expenses	(1.489.635)	(66.204)	(1.555.839)	-	(1.555.839)
General administrative expenses	(244.495)	(37.948)	(282.443)	-	(282.443)
Addition: Depreciation and amortization	141.720	20.125	161.845	-	161.845
Addition: Provision for employment termination benefits	13.759	-	13.759	-	13.759
Addition: Termination benefits paid	17.992	-	17.992	-	17.992
Addition: Unused vacation provision	10.407	-	10.407	-	10.407
EBITDA	504.635	27.370	532.005	-	532.005
Addition: Rent expenses	381.411	20.659	402.070	-	402.070
EBITDAR	886.046	48.029	934.075	-	934.075

b) Segment analysis for the period 1 January - 31 December 2013

	Turkey	Other countries	Combined total	Intersegment elimination	Total
External revenues	6.705.797	421.128	7.126.925	-	7.126.925
Inter segment revenues	3.303	-	3.303	(3.303)	-
Sales revenue	6.709.100	421.128	7.130.228	(3.303)	7.126.925
Cost of goods sold	(4.921.396)	(314.130)	(5.235.526)	3.303	(5.232.223)
Gross profit	1.787.704	106.998	1.894.702	-	1.894.702
Selling and marketing expenses	(1.290.506)	(59.773)	(1.350.279)	-	(1.350.279)
General administrative expenses	(219.846)	(33.137)	(252.983)	-	(252.983)
Addition: Depreciation and amortization	125.116	18.198	143.314	-	143.314
Addition: Provision for employment termination benefits	9.376	-	9.376	-	9.376
Addition: Termination benefits paid	15.413	-	15.413	-	15.413
Addition: Unused vacation provision	9.712	-	9.712	-	9.712
EBITDA	436.969	32.286	469.255	-	469.255
Addition: Rent expenses	325.858	17.803	343.661	-	343.661
EBITDAR	762.827	50.089	812.916	-	812.916

A reconciliation of EBITDA figure to income before tax is provided as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
EBITDAR, reported segments	934.075	812.916
Rent expenses	(402.070)	(343.661)
EBITDA, reported segments	532.005	469.255
Depreciation and amortisation	(161.845)	(143.314)
Provision for employment termination benefits	(13.759)	(9.376)
Termination benefits paid	(17.992)	(15.413)
Unused vacation provision	(10.407)	(9.712)
Other operating income	60.594	54.846
Other operating expenses (-)	(153.333)	(110.244)
Operating profit	235.263	236.042
Income from investing activities	1.362	1.650
Expenses from investing activities (-)	(3.126)	(7.405)
Operating profit before finance income/(expense)	233.499	230.287
Financial income	133.492	114.568
Financial expenses (-)	(182.993)	(729.572)
Income before tax	183.998	(384.717)

Segment Assets and Liabilities

The figures provided to the board of directors with respect to total assets and liabilities are measured in a manner consistent with the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

	31 December 2014	31 December 2013
Turkey	5.306.433	5.478.873
Other countries	375.585	416.298
Segment assets	5.682.018	5.895.171
Less: Inter-segment elimination	(88.523)	(98.536)
Total assets per consolidated financial statements	5.593.495	5.796.635

	31 December 2014	31 December 2013
Turkey	4.563.607	4.844.540
Other countries	123.767	144.930
Segment liabilities	4.687.374	4.989.470
Less: Inter-segment elimination	(13.045)	(23.059)
Total liabilities per consolidated financial statements	4.674.329	4.966.411

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash	42.780	38.261
Banks		
- demand deposits	61.804	73.094
- time deposits	197.949	579.136
Cheques in collection	197	247
Credit card receivables	386.344	347.591
	689.074	1.038.329

Weighted average effective interest rates on TL, EURO denominated time deposits at 31 December 2014 are 10,2% and 1,7% (TL and EURO denominated time deposits at 31 December 2013: 8,2%; 2,9%).

Credit card receivables with a maturity of less than one month are discounted at 31 December 2014 with annual rate of 10,0% (31 December 2013: 8,2%).

The maturity analysis of time deposits at 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
1 - 30 days	181.665	46.930
31 - 90 days	16.284	532.206
	197.949	579.136

NOTE 5 - FINANCIAL INVESTMENTS

	31 December 2014	31 December 2013
Time deposits (*)	-	9.726
Short-term financial assets	-	9.726

(*) Related amount indicating the bank deposits with 90-180 days maturity recognised as cash fund by the "Group".

	31 December 2014	31 December 2013
Long-term available-for-sale investments financial assets - (Unlisted financial assets)	1.695	1.695
Long-term financial assets	1.695	1.695

Unlisted financial assets:

	31 December 2014		31 December 2013	
	Share %	Amount	Share %	Amount
Sanal Merkez Ticaret A.Ş.	100%	1.695	100%	1.695
		1.695		1.695

Sanal Merkez is the subsidiary that is not included in the scope of consolidation on the grounds of materiality due to the insignificance of its impact on the consolidated net worth, financial position and results of Migros. It is accounted for under long-term available-for-sale investment at cost restated at 31 December 2004 as it is not quoted in any active market.

NOTE 6 - FINANCIAL LIABILITIES

	31 December 2014		
	Weighted average interest rate	Euro	Total TL equivalent
Current portion of long-term bank borrowings			
- with fixed interest rates	2,00%	124	350
- with floating interest rates	4,13%	201.940	569.613
Total current bank borrowings		202.064	569.963
Non-current bank borrowings			
- with fixed interest rates	2,00%	124	350
- with floating interest rates	4,13%	631.927	1.782.476
Total non-currency bank borrowings		632.051	1.782.826
Total financial liabilities		834.115	2.352.789

The redemption schedule of long-term bank borrowings with TL equivalents at 31 December 2014 is as follows:

	Euro	TL
2016	234.171	660.526
2017	257.452	726.194
2018	140.428	396.106
	632.051	1.782.826

The fair value of bank borrowings at 31 December 2014 is TL 2.345.052 (31 December 2013: TL 2.919.980).

With respect to long term bank loans, all Migros Ticaret A.Ş. shares owned by MH Perakendecilik ve Ticaret A.Ş. and Moonlight Capital S.A. was provided as collateral to the financial institutions as from the grant date of the loan. As of 31 December 2014, shares of Migros Ticaret A.Ş. which represents 80,51% of shares and amounting to 143.323.336 TL nominal value (14.332.333.600 shares) owned by MH Perakendecilik ve Ticaret A.Ş. and Moonlight Capital S.A. is pledged (31 December 2013: 14.332.333.600 shares representing 80,51%.).

	31 December 2013		
	Weighted average interest rate	Euro	Total TL equivalent
Current portion of long-term bank borrowings			
- with fixed interest rates	2,00%	124	364
- with floating interest rates	4,28%	167.413	491.609
Total current bank borrowings		167.537	491.973
Non-current bank borrowings			
- with fixed interest rates	2,00%	248	728
- with floating interest rates	4,28%	830.867	2.439.840
Total non-currency bank borrowings		831.115	2.440.568
Total financial liabilities		998.652	2.932.541

The redemption schedule of long-term bank borrowings with TL equivalents at 31 December 2013 is as follows:

	Euro	TL
2015	199.064	584.551
2016	234.171	687.643
2017	257.452	756.007
2018	140.428	412.367
	831.115	2.440.568

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables:

	31 December 2014	31 December 2013
Receivables from tenants and wholesale activities	44.266	43.677
Doubtful receivables	26.923	24.445
Notes receivable	2.220	3.362
Due from related parties (Note 27)	44	55
	73.453	71.539
Less: Provision for doubtful receivables	(25.410)	(22.943)
Unearned finance income on term sales	(196)	(201)
Short-term trade receivables, net	47.847	48.395

The maturities of trade receivables are generally less than one month at 31 December 2014 and they were discounted with the annual rate of 10,0% (31 December 2013: 8,2%).

Movement of provision for doubtful receivables is as follows:

	2013
1 January	16.671
Current year charge (Note 21)	5.309
Collections and reversals	(180)
Cumulative translation adjustment	1.143
31 December	22.943

	2014
1 January	22.943
Current year charge (Note 21)	3.135
Collections and reversals	(1.352)
Cumulative translation adjustment	684
31 December	25.410

Trade Payables:

	31 December 2014	31 December 2013
Supplier current accounts	1.892.195	1.683.119
Expense accruals	21.358	17.296
Due to related parties (Note 27)	1.170	734
Less: Unincurred finance cost on term purchases	(18.336)	(15.186)
Short-term trade payables, net	1.896.387	1.685.963

The maturity of trade payables is generally less than three months and they are discounted with annual rate of 8,7 % as of 31 December 2014 (31 December 2013: 8,2%).

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other Receivables:

	31 December 2014	31 December 2013
Receivables from personnel	3.613	1.050
Insurance claims	4.059	1.235
Short-term other receivables	7.672	2.285

	31 December 2014	31 December 2013
Deposits and guarantees given	1.691	1.434
Long-term other receivables	1.691	1.434

Other Payables:

	31 December 2014	31 December 2013
VAT Payable	15.446	15.340
Credit card bills collection amount (*)	9.737	2.574
Other taxes and funds payable	19.003	15.377
Short-term other payables	44.186	33.291

(*) Majority of the payables above consist of related banks' credit card bill collections made in the stores. The collections have the maturity of less than one month.

	31 December 2014	31 December 2013
Deposits and guarantees taken	2.963	3.244
Long-term other payables	2.963	3.244

NOTE 9 - INVENTORIES

	31 December 2014	31 December 2013
Raw materials	6.707	673
Work in progress	9.794	5.703
Merchandise stocks	943.619	842.339
Other	2.765	2.528
	962.885	851.243

Cost of the inventory included in the cost of sales for the period 1 January - 31 December 2014 amounts to TL 5.928.992 (1 January - 31 December 2013: TL 5.206.100).

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

Prepaid expenses:

Short term:

	31 December 2014	31 December 2013
Prepaid expenses	16.086	22.907
Advances given	3.328	4.932
Upfront fee	796	796
	20.210	28.635

Long term:

	31 December 2014	31 December 2013
Prepaid expenses	23.305	29.050
Upfront fee	1.923	2.719
	25.228	31.769

Deferred income:

Short term:

	31 December 2014	31 December 2013
Deferred income (*)	4.118	3.612
	4.118	3.612

Long term:

	31 December 2014	31 December 2013
Deferred income	1.551	2.250
	1.551	2.250

(*) The account balance comprises mainly of deferred revenues arising from various agreements made with banks.

NOTE 11 - INVESTMENT PROPERTY

	Opening 1 January 2014	Additions	Disposals	Transfers (*)	Cumulative translation differences	Closing 31 December 2014
Cost						
Land and buildings	76.364	-	-	10.219	(1.813)	84.770
Accumulated depreciation						
Buildings	(30.097)	(3.897)	-	(3.622)	339	(37.277)
Net book value	46.267					47.493

	Opening 1 January 2013	Additions	Disposals	Transfers	Cumulative translation differences	Closing 31 December 2013
Cost						
Land and buildings	70.589	-	-	-	5.775	76.364
Accumulated depreciation						
Buildings	(24.812)	(4.223)	-	-	(1.062)	(30.097)
Net book value	45.777					46.267

(*) Ankara Ankamall Shopping Mall Center was transfered from property, plant and equipment and reclassified as investment properties. The total rentable area is 2.322 square meters and its fair value is TL 26.041 as of 31.12.2014. The mentioned fair value is determined according to the recent real estate valuation report.

Depreciation expenses of the period are recorded in general administrative expenses.

Investment properties of the Group consist of space rented to other retailers in Samal shopping mall and Tastak store in Kazakhstan and Skopje shopping mall in Macedonia. At 31 December 2014, total investment property of Kazakhstan and Macedonia are 6.586 and 7.017 square meters respectively (31 December 2013: Kazakhstan 7.827 square meters, Macedonia 9.170 square meters).

Fair value of the investment properties in Kazakhstan and Macedonia are TL 47.699 and TL 68.053 respectively (31 December 2013: TL 62.855 and TL 58.799 respectively). This value has been calculated with discounted cash flow approach.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to TL 18.594 (2013: TL 19.011). Direct operating expenses arising on the investment property in the period include maintenance and repair costs which amounted to TL 4.446 (2013: TL 4.065).

At 31 December 2014 and 2013 there were no mortgages on investment property.

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2014	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	Closing 31 December 2014
Cost							
Land and buildings	481.229	9.155	(110)	-	(9.027)	(3.677)	477.570
Leasehold improvements	494.845	46.004	(2.368)	(10.766)	14.237	(2.035)	539.917
Machinery and equipments	476.977	52.580	(13.305)	-	31.344	(2.763)	544.833
Vehicles	1.675	991	(122)	-	-	(55)	2.489
Furniture and fixture	244.092	29.434	(5.171)	-	11.455	(1.326)	278.484
Construction in progress	5.185	77.636	-	-	(58.228)	795	25.388
	1.704.003	215.800	(21.076)	(10.766)	(10.219)	(9.061)	1.868.681
Accumulated depreciation							
Buildings	(49.940)	(9.470)	80	-	3.622	1.030	(54.678)
Leasehold improvements	(189.289)	(48.237)	-	9.339	-	1.822	(226.365)
Machinery and equipments	(153.050)	(56.341)	11.847	-	-	839	(196.705)
Vehicles	(837)	(381)	113	-	-	(148)	(1.253)
Furniture and fixture	(77.222)	(27.828)	2.720	-	-	(49)	(102.379)
	(470.338)	(142.257)	14.760	9.339	3.622	3.494	(581.380)
Net book value	1.233.665						1.287.301

(*) Impairment loss amounting to net TL 1.427 consists of leasehold improvements of the stores closed in 2014.

At 31 December 2014 and 2013 there were no mortgages on property, plant and equipment. Depreciation expenses of the period are recorded in general administrative expenses.

	Opening 1 January 2013	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	Closing 31 December 2013
Cost							
Land and buildings	454.807	6.551	-	-	10.485	9.386	481.229
Leasehold improvements	455.539	43.630	(8)	(19.139)	11.274	3.549	494.845
Machinery and equipments	387.090	60.751	(11.309)	-	34.801	5.644	476.977
Vehicles	1.587	60	(95)	-	-	123	1.675
Furniture and fixture	197.522	36.194	(2.603)	-	9.365	3.614	244.092
Construction in progress	8.172	62.938	-	-	(65.925)	-	5.185
	1.504.717	210.124	(14.015)	(19.139)	-	22.316	1.704.003
Accumulated depreciation							
Buildings	(38.405)	(9.241)	-	-	-	(2.294)	(49.940)
Leasehold improvements	(156.426)	(44.097)	-	12.903	-	(1.669)	(189.289)
Machinery and equipments	(109.559)	(49.927)	9.900	-	-	(3.464)	(153.050)
Vehicles	(619)	(247)	34	-	-	(5)	(837)
Furniture and fixture	(57.366)	(21.009)	2.217	-	-	(1.064)	(77.222)
	(362.375)	(124.521)	12.151	12.903	-	(8.496)	(470.338)
Net book value	1.142.342						1.233.665

(*) Impairment loss amounting to net TL 6.236 consists of leasehold improvements of the stores closed in 2013.

NOTE 13 - INTANGIBLE ASSETS

	Opening 1 January 2014	Additions	Disposals	Cumulative translation difference	Closing 31 December 2014
Cost					
Trademark (*)	202.175	-	-	-	202.175
Rent agreements (**)	32.982	-	-	-	32.982
Rights	55.542	15.976	(146)	(301)	71.071
Other intangible assets (***)	28.783	-	-	-	28.783
	319.482	15.976	(146)	(301)	335.011
Accumulated amortisation					
Rent agreements	(26.202)	(2.199)	-	-	(28.401)
Rights	(27.739)	(10.821)	142	(144)	(38.562)
Other intangible assets	(15.960)	(2.671)	-	-	(18.631)
	(69.901)	(15.691)	142	(144)	(85.594)
Net book value	249.581				249.417

Amortisation expenses of the period are recorded in general administrative expenses.

Trademark impairment test:

Trademark was tested for impairment using the release from royalty method as of 31 December 2014. Sales forecasts which are based on financial budgets approved by the board of directors covering a five year period were considered in the determination of the brand value. The growth rate expected to be realized after five years is assumed to be nil. The estimated royalty income is calculated by applying the expected 1,5%. The royalty income calculated with the stated method have been discounted with 6,9%.

	Opening 1 January 2013	Additions	Disposals	Cumulative translation difference	Closing 31 December 2013
Cost					
Trademark (*)	202.175	-	-	-	202.175
Rent agreements (**)	32.982	-	-	-	32.982
Rights	41.893	15.452	(2.455)	652	55.542
Other intangible assets (***)	28.783	-	-	-	28.783
	305.833	15.452	(2.455)	652	319.482
Accumulated amortisation					
Rent agreements	(23.449)	(2.753)	-	-	(26.202)
Rights	(21.045)	(8.686)	2.455	(463)	(27.739)
Other intangible assets	(12.829)	(3.131)	-	-	(15.960)
	(57.323)	(14.570)	2.455	(463)	(69.901)
Net book value	248.510				249.581

(*) TFRS 3, "Business Combinations", requires the acquirer at the acquisition date to allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values as at that date.

The fair value of Tansaş trademark which was considered as an identifiable intangible asset by the Group was determined by the relief from royalties method and estimated the fair value of the trademarks in the amount of TL 202.175 at the acquisition date 30 May 2008. This amount has been accounted for as an intangible asset in the consolidated financial statements. Since the trademark does not have a definite useful life and it is foreseen that certain expenses will be incurred each year in order to maintain its value, it is considered as an intangible asset with an indefinite useful life and therefore has not been amortised. Additionally, Migros assesses the intangible assets with indefinite useful lives annually for any indication of impairment.

(**) The Group determined the value of the benefit derived from the lease contracts of MMM and Maxi stores, which were designated as intangible assets, at an amount of TL 32.982 and was accounted for under the intangible assets in the consolidated financial statements. Lease contracts are recorded at their fair values at the date of purchase, and amortised during the contract period.

(***) On 24 July 2008 the Group purchased all of the furniture and fixtures of local retail chain Maxi Market's Silivri, Tekirdag and Çengelköy stores, with a total sales area of 13.000 square meters, from Hamoğlu Yönetim Organizasyonu Personel Taşımacılık ve Yemek Üretim Hizmetleri İşletmecilik A.Ş. and also took over the rent agreements of the mentioned stores. The purchase cost in the amount of TL 10.297 which exceeds the fair value of the purchased furniture and fixtures has been accounted for as an intangible asset and has been amortised over the rent agreement period.

On 10 March 2009, the Group purchased all of the furniture and fixtures of 7 stores belonging to Mak Gıda Pazarlama San. ve Tic. A.Ş., ("Mak Gıda") a local retail chain operating in Gaziantep region, with a total sales area of 9.592 square meters and on 12 February 2009 the Group purchased all of the furniture and fixtures of 21 stores belonging to Yonca Marketçilik ve İnş. Hiz. San. ve Tic. A.Ş. ("Yonca"), a local retail chain mainly operating in Adana region, with a total sales area of 17.480 square meters and also took over the rent agreements of the mentioned stores. The excess amount of the consideration given over the fair value of acquired assets in the total amount of TL 18.486, TL 601 for the Mak Gıda and TL 17.885 for Yonca, respectively- was accounted for under other intangible assets and has been amortised over the rent agreement period.

NOTE 14 - GOODWILL

Movement of goodwill is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	2.251.427	2.251.427
Closing balance	2.251.427	2.251.427

The details of the calculation of goodwill are as follows:

a) On 30 May 2008, Moonlight acquired 50,83259% of the shares of Migros, which operates in the retail sector, from Koç Holding. Moonlight Capital SA signed a share transfer agreement regarding this acquisition in February 2008 on behalf of Moonlight. Dividends paid to Koç Holding by Migros amounting to TL 53.626 were deducted from the sales price determined on the share transfer agreement and the consideration determined as TL 1.923.740 was paid in cash on the closing date. The transfer of the shares of Migros to Moonlight succeeding Moonlight Capital SA has been completed on 30 May 2008 for TL 1.923.740. As a result of the price adjustment defined in share transfer agreement, price difference amounting to TL 1.300 has been realised on behalf of Moonlight and this amount has been paid in August.

Pursuant to Communiqué Serial IV No. 8 on Principles Regarding Proxy Voting at Shareholders' Meetings of Publicly Held Joint Stock Corporations Exercising Proxy Solicitation and Tender Offers, the Company purchased 30,76% of the shares of Migros in consideration of the sum of TL 1.148.553 from other shareholders of Migros in August 2008, prior to the call for tender realised between 6 October and 20 October 2008; and between those dates, in compliance with the call liability, purchased 16,31% of shares in Migros in consideration of the sum of TL 637.212.

Acquisitions mentioned above have been collectively considered in goodwill calculation. The fair values of plant property and equipment acquired as a result of the acquisition of Migros Türk shares, have been determined through the best estimate of the management and included in the consolidated financial statements.

Net assets acquired by Migros and the details of the calculation of goodwill are as follows:

Total acquisition cost	3.708.205
Net assets acquired	(1.468.995)
Goodwill	2.239.210

b) Group, acquired Ades Gıda San. ve Tic A.Ş., Amaç Gıda Tic ve San A.Ş. and Egeden Gıda Tüketim ve Tic. A.Ş. at 31 July 2010.

Net assets acquired by Migros and the details of the calculation of goodwill are as follows:

Total acquisition cost	14.886
Net assets acquired	(2.669)
Goodwill	12.217

Impairment tests for goodwill

The whole amount of goodwill is related to the acquisition of Migros Türk, the Group management considers the synergy to be created by the important domestic market position as the main reason for the goodwill. Accordingly, the Group management allocated the above mentioned goodwill amount to Turkish domestic operations which is the main cash generating unit, considering its market share and importance of the total turnover of the domestic operations in the Group consolidation.

The recoverable amount of cash-generating unit was determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, which are based on TL budgets approved by management covering an eight year period. The growth rate expected to be realized after eight years is assumed to be nil and in the preparation of these analysis it has been assumed by the management that existing profitability of the Company will be maintained.

The Group management determined the budgeted gross profit margin by taking into consideration the previous performance of the company and the market growth expectations. The discount rate 7,0% used is the after tax discount rate and includes the company-specific risks. The fact that the after-tax discount rate used in the calculation of discounted cash flows is higher/lower by 100 basis points (such as 6,0% or 8,0% instead of 7,0%) causes a decrease/increase of TL 1.135.433 (31 December 2013: TL 960.742) in the fair value calculations for which sales costs are deducted, as of 31 December 2014. Within the context of analysis performed by the Management, above mentioned changes in the key assumptions on which recoverable amount is based would not cause carrying amount to exceed its recoverable amount.

NOTE 15 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	31 December 2014	31 December 2013
Provision for litigation	26.578	22.430
Provision for tax penalty (Note 25)	44.503	-
Total current provisions	71.081	22.430

There are various lawsuits filed against or in favour of the Group. Receivables, rent or labour disputes constitute the majority of these lawsuits. The Group management estimates the outcomes of these lawsuits and estimates their financial impact according to which the necessary provisions are accounted.

Movement of provision for lawsuits is as follows:

1 January 2013	21.870
Increase during the period	5.919
Payments during the period	(5.359)
31 December 2013	22.430
1 January 2014	22.430
Increase during the period	7.968
Payments during the period	(3.820)
31 December 2014	26.578

Collaterals, Pledges, Mortgages

The details of collaterals, pledges and mortgages ("CPM") of the Company at 31 December 2014 and 2013 are as follows:

31 December 2014				
Collaterals, Pledges, Mortgages:	Total TL Amount	TL	USD	Euro
A. CPM given on behalf of the Company's legal personality	74.332	73.167	472	25
B. CPM given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM	-	-	-	-
i. Total amount of CPM given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-
Total Collaterals, Pledges, Mortgages	74.332	73.167	472	25
Proportion of other CPM's to equity	0,0%			

	31 December 2013			
Collaterals, Pledges, Mortgages:	Total TL Amount	TL	USD	Euro
A. CPM given on behalf of the Company's legal personality	74.024	72.943	472	25
B. CPM given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM	-	-	-	-
i. Total amount of CPM given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-
Total Collaterals, Pledges, Mortgages	74.024	72.943	472	25
Proportion of other CPM's to equity	0,0%			

Contingent assets and liabilities:

a) Guarantees given at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Letter of guarantees given	74.332	74.024

b) Guarantees received at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Guarantees obtained from customers	97.727	100.338
Mortgages obtained from customers	19.999	19.116
	117.726	119.454

c) The future aggregate minimum lease payments under non-cancellable operating leases of land and stores are as follows. Amounts are expressed in the total amount to be paid by the end of the lease term although the time periods specified in the contracts in line with the vast majority of our stores early release have a right to give notice of the condition.

	31 December 2014	31 December 2013
Payable within 1 year	26.907	26.284
Payable in 1 to 5 years	7.170	10.703
5 years and more	1.262	2.282
	35.339	39.269

NOTE 16 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Payables for employment termination benefit:

	31 December 2014	31 December 2013
Due to personnel	28.224	22.209
Social security deductions	15.304	12.700
	43.528	34.909

Provisions for employment termination benefit:

	31 December 2014	31 December 2013
Provision for unused vacation	62.984	52.577
Provision for employee termination benefits	55.848	43.954
	118.832	96.531

Provision for employment termination benefits:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who reaches the retirement age (58 for women and 60 for men), whose employment is terminated without due cause, is called up for military service or passed away. The amount payable consists of one month's salary limited to a maximum of TL 3.438,22 (31 December 2013: TL 3.254,44) for each year of service at 31 December 2014.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

The following actuarial assumptions were used in the calculation of the total liability:

	31 December 2014	31 December 2013
Discount rate (%)	2,88	2,60
Turnover rate to estimate the probability of retirement (%)	75,90-100,00	79,80-100,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 3.541,37 effective from 1 January 2015 (1 January 2014: TL 3.438,22) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

In the calculation, the employees were separated into two groups based on the working years in the Group: 0-14 years and 15 years and above. The probability of retirement is used as 75,9% and 100% for the employees working 0-14 years and 15 years and above, respectively.

The Company has a collective labour agreement with Tez-Koop İş Sendikası (labour union) for the period of 1 May 2014 and 30 April 2017.

1 January 2013	35.834
Increase during the period	24.789
Payments during the period	(15.413)
Actuarial gain	(1.256)
31 December 2013	43.954
1 January 2014	43.954
Increase during the period	31.751
Payments during the period	(17.992)
Actuarial gain	(1.865)
31 December 2014	55.848

Provision for unused vacation:

The group has an unused vacation liability against its employees amounting to TL 62.984 (31 December 2013: TL 52.577) as of December 2013. Group management evaluates this unused vacation liability together with its financial effect and recognizes an appropriate provision at the end of each financial period.

Movement of unused vacation provision is as follows;

1 January 2013	42.865
Increase during the period	14.472
Payments during the period	(4.760)
31 December 2013	52.577
1 January 2014	52.577
Increase during the period	17.271
Payments during the period	(6.864)
31 December 2014	62.984

NOTE 17 - OTHER ASSETS AND LIABILITIES

Other current assets:

	31 December 2014	31 December 2013
Deductible taxes and funds	181	166
VAT receivables	132	508
Other	359	561
	672	1.235

Other current liabilities:

	31 December 2014	31 December 2013
Various expense accruals	977	2.637
Merchandise coupons	7.483	7.219
Other	9.879	7.731
	18.339	17.587

NOTE 18 - EQUITY

The Company's authorised and issued capital consists of 17.803.000.000 shares at 1 shares of Kr1 nominal value as of 31 December 2014 (31 December 2013: 17.803.000.000 shares). All shares are paid-in and no privileges are given to different share groups and shareholders. MH Perakendecilik ve Ticaret A.Ş ("MH") transfered its Migros Ticaret A.Ş shares with the nominal value of 27.371.000 TL to its parent company, Moonlight Capital SA, in exchange for 26 TL per share on 13 November 2014. MH Perakendecilik ve Ticaret A.Ş ("MH") transfered its Migros Ticaret A.Ş shares with the nominal value of 26.937.336 TL to its parent company, Moonlight Capital SA, in exchange for 26 TL per share on 31 December 2014.

As a result of these transactions, as of 31 December 2014, the shareholding of "MH" and Moonlight Capital SA are 50,00% and 30,51%, respectively.

The shareholders of the Company and their shareholdings stated at historical amounts at 31 December 2014 and 31 December 2013 are stated below:

	31 December 2014		31 December 2013	
Shareholders	Share %	Amount	Share %	Amount
MH Perakendecilik ve Ticaret A.Ş.	50,00	89.015	80,51	143.323
Moonlight Capital S.A.	30,51	54.308	-	-
Other	19,49	34.707	19,49	34.707
	100,00	178.030	100,00	178.030

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. On the other hand, in the event that it is decided to distribute the entire profit for the period as dividends, exclusively for this situation a second legal reserve is set aside at 9% for the portion exceeding 5% of the capital issue/paid from the net distributable profit for the period. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 438.950 as of 31 December 2014 (31 December

2013: TL 438.950).

In accordance with CMB accounting and financial reporting standards; TL 65.816 is followed under a separate fund account in the Company's legal books in order to benefit from the investment sales income exemption. To benefit from the exemption, the related profit has to be kept under this fund account for 5 years and should not be withdrawn during that period. The said amount has been accounted for under "restricted reserves" account in accordance with the CMB accounting and financial reporting standards and total restricted reserves at 31 December 2014 amount to TL 504.766 (2013: TL 504.766)

In accordance with the Communiqué Serial: II No:14.1 according to the CMB's announcements clarifying the said Communiqué, "Share Capital", "Restricted Reserves Allocated from Profit" and "Share Premiums" need to be recognized over the amounts contained in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising from the valuation of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";

- if the difference is arising from valuation of "Restricted Reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

It was determined that there is no need to set aside first order legal reserves as the first order legal reserves reached 20% of capital in accordance with Turkish Commercial Code. Additionally, it was decided that there is no need to set aside second order legal reserves since no dividend was distributed in the current period.

Capital adjustment differences have no other use other than being transferred to share capital.

Dividend requirements applicable to listed companies regulated by CMB are as follows:

In accordance with the CMB Decision No. 02/51 and dated 27 January 2010, concerning allocation basis of profit from operations of 2009, minimum profit distribution will not be applied for the year 2013. According to the Board's decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares (by adding the cash dividend to capital) or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company.

In addition, according to the aforementioned Board decision, the entities which are required to prepare consolidated financial statements can provide the necessary amount from their statutory reserves; the distributable profit can be calculated based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué: II No:14.1.

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

Dividends Paid

Group did not distribute any dividend in 2014 from 2013 profits (2013: The Group did not distribute any dividend in 2013 from 2012 profits).

Resources Subject to Dividend Distributions

In accordance with the Board Decision dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the financial statements which will be prepared and publicly announced in accordance with Communiqué II No:14.1. The concerning amount for Migros Ticaret is TL 1.363.154. TL 210.472 portion out of total amount will comprise the inflation effects of statutory equity items that are subject to taxation and gain on the sale of subsidiaries. The Company's reserve that can be subject to dividend distribution in accordance with financial statements prepared in accordance with the accounting principles of TFRS amounts to TL 605.768.

The equity schedules at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Share capital	178.030	178.030
Other capital reserves	(365)	(365)
Additional contribution to equity related to merger	27.312	27.312
Share premium	678.233	678.233
Actuarial gain/loss	(11.347)	(12.839)
Cumulative translation differences	30.196	41.122
Restricted reserves	504.766	504.766
Retained earnings	(586.726)	(123.551)
Net income/(loss)	98.513	(463.175)
Attributable to the equity holders of the Group	918.612	829.533

NOTE 19 - REVENUE AND COST OF SALES

	1 January - 31 December 2014	1 January - 31 December 2013
Domestic sales	7.898.055	6.897.693
Foreign sales	437.035	419.992
	8.335.090	7.317.685
Other sales	13.752	13.590
	8.348.842	7.331.275
Less: Discounts and returns	(226.175)	(204.350)
Sales revenue - net	8.122.667	7.126.925
Cost of sales	(5.956.383)	(5.232.223)
Gross Profit	2.166.284	1.894.702

Details of domestic and foreign sales before other sales, discounts and returns are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Retail sales revenue	8.075.400	7.094.188
Rent income	68.068	68.689
Wholesale revenue	191.622	154.808
	8.335.090	7.317.685

NOTE 20 - EXPENSES BY NATURE

Total	1 January - 31 December 2014	1 January - 31 December 2013
Staff costs	752.797	650.547
Rent	402.070	343.661
Porterage and cleaning	52.643	45.600
Transportation	79.673	75.130
Depreciation and amortisation	161.845	143.314
Energy	113.045	109.964
Advertising	55.160	48.169
Repair and maintenance	29.657	25.587
Security	20.525	18.649
Warehouse	49.551	42.000
Taxes and other fees	12.021	10.383
Mechanisation	20.168	15.714
Communication	8.498	7.575
Other	80.629	66.969
	1.838.282	1.603.262

Marketing, selling and distribution expenses	1 January - 31 December 2014	1 January - 31 December 2013
Staff costs	659.949	562.932
Rent	401.440	343.141
Porterage and cleaning	51.043	44.219
Transportation	79.474	74.879
Energy	111.981	108.774
Advertising	55.144	48.169
Repair and maintenance	29.166	25.086
Security	19.762	17.926
Warehouse	49.551	42.000
Taxes and other fees	10.932	9.413
Mechanisation	16.537	13.642
Communication	6.666	6.129
Other	64.194	53.969
	1.555.839	1.350.279

General administrative expenses	1 January - 31 December 2014	1 January - 31 December 2013
Staff costs	92.849	87.615
Depreciation and amortisation (Note 11,12,13)	161.845	143.314
Other	27.749	22.054
	282.443	252.983

Expenses by nature in cost of sales for the periods 1 January - 31 December 2014 and 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Cost of goods sold	(5.928.992)	(5.206.100)
Cost of services rendered	(27.391)	(26.123)
	(5.956.383)	(5.232.223)

Cost of trade goods include discounts, and volume rebates obtained from suppliers. Service costs are formed of energy, advertising, cleaning, security and administrative expenses incurred in the Group's shopping malls.

NOTE 21 - OTHER OPERATING INCOME AND EXPENSE

Other operating income:	1 January - 31 December 2014	1 January - 31 December 2013
Interest income on term sales	32.221	23.003
Interest income from operating activities	24.748	17.078
Gain on sales of scrap goods	834	733
Gain on damage insurance	517	1.085
Provision write-off (*)	310	6.076
Early termination of rent agreement	140	3.490
Other	1.824	3.381
	60.594	54.846

Other operating expenses:	1 January - 31 December 2014	1 January - 31 December 2013
Interest expense on term purchases	(129.208)	(84.596)
Bad debt expense (Note 7)	(3.135)	(5.309)
Litigation provisions (Note 15)	(7.968)	(5.919)
Losses from prior period rent differences	(1.587)	(4.462)
Other	(11.435)	(9.958)
	(153.333)	(110.244)

(*) As of 31 December 2014, provision write-offs do not have the impact of the cancellation of the rent provision of TL 5.896 which was accounted in the same period last year.

NOTE 22 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities:	1 January - 31 December 2014	1 January - 31 December 2013
Gain on sale of property, plant and equipment	1.362	1.650
	1.362	1.650

Expenses from investing activities:	1 January - 31 December 2014	1 January - 31 December 2013
Losses from closed stores	(1.427)	(6.236)
Loss on sale of property, plant and equipment	(1.699)	(1.169)
	(3.126)	(7.405)

NOTE 23 - FINANCIAL INCOME

	1 January - 31 December 2014	1 January - 31 December 2013
Interest income on bank deposits	7.744	11.200
Foreign exchange gains	124.866	82.202
Financial income on derivatives	882	21.166
	133.492	114.568

NOTE 24 - FINANCIAL EXPENSE

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange losses	(26.541)	(582.323)
Interest expense on bank borrowings	(121.263)	(121.155)
Financial expense on derivatives	(9.539)	(19.925)
Interest expense of tax penalty (*)	(17.020)	-
Other	(8.630)	(6.169)
	(182.993)	(729.572)

(*) The Group, disclosed the interest expense of the tax penalty in financial expenses. Details of the tax penalty is explained in Taxes on Income footnote (Note 25)

NOTE 25 - TAXES ON INCOME (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED)

	31 December 2014	31 December 2013
Taxes and fund payable	63.724	70.938
Less: Prepaid current income taxes	(60.609)	(52.611)
Taxes on income, net	3.115	18.327

	31 December 2014	31 December 2013
Deferred tax assets	34.421	28.555
Deferred tax liabilities	(149.632)	(143.412)
Deferred tax liabilities, net	(115.211)	(114.857)

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Turkey

In Turkey, corporation tax rate for the year 2014 is 20% (2013: 20%). Corporation tax is applied to the total income of the companies after adjusting for certain disallowable expenses, exempt income (*participation exemption, investment exemption, etc.*), investment and other allowances (*R&D activities allowances etc.*). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

Except for the dividends paid to non-resident corporations, which have a representative office in Turkey, or resident corporations, dividends are not subject to withholding tax. Dividends paid to other organizations or individuals are subject to withholding tax at the rate of 15% .Transfer of profit to capital is not accepted as a dividend distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income (2013: 20%). Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. Despite the credit from annual corporation tax liability, if the company still has excess advance corporate tax, it can receive this balance in cash from the Government or as a credit for another financial debt to the Government.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

There are numerous exemptions in the Corporation Tax Law concerning the corporations. Those related to the Company are as follows:

Domestic participation exemption:

Dividend income earned from investments in another company's shares is excluded in the calculation of the corporate tax (dividend income gained related to the participation in investment funds and investment trust shares is excluded).

Preferential right certificate sales and issued premiums exemption:

New share issue premiums, which represent the difference between the nominal and sale values of shares issued by joint-stock companies, are exempt from corporation tax.

Foreign company participation exemption:

The participation income of corporations participating for at least one continuous year of 10% that does not have their legal or business centre in Turkey (except for corporations whose principal activity is financial leasing or investment of marketable securities) up until the date the income is generated and transferred to Turkey and until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike in their country of legal or business centre at the rate of at least 15% (the corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

Real estate, investment equity, preferential rights, usufruct shares, founding shares, sales exemption:

A 75% portion of corporations' profits from the sale of participation shares, founding shares, pre-emptive rights and property, which have been in their assets for at least for two years, is exempt from corporate tax provided that these profits are added to share capital and are not withdrawn within five years. Income from the sale is generated until the end of the second calendar year following the year in which sale was realized.

Tax exemption from software and R&D activities:

According to tax law, 100% of the expenses due to R&D activities incurred by corporate firms are exempt from tax basis.

Other Geographical Segments

Implied corporation tax rates in Kazakhstan, Bulgaria and Macedonia are 20%, 10% and 10%, respectively (2013: 20%, 10% and 10%, respectively).

The details of taxation on income is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Current period tax expense	(63.724)	(70.938)
Prior period tax expense (*)	(21.554)	-
Deferred tax expense	(214)	(7.478)
	(85.492)	(78.416)

(*) The Company has re-evaluated the tax provision relating 2013 and applied to tax authorities with a correction in its tax returns. In accordance with this correction, the Company has paid TL 5.930 less tax for year 2013. A limited tax review has been conducted on the Group's VAT accounts due to the discounts relating to goods purchased in 2008, 2009, 2010, 2011 and 2012. The tax review was finalized on November 2014 and a principal tax fine of TL 27.484 (TL 45.602 including the interest) was calculated due to the objection mentioned in the Tax Review Report which argues that the amounts exceeding the shrinkage limits can not be treated as discounts in the tax accounts, therefore VAT relating to these purchased goods can not be subject to discount. The Company disclosed that all kind of legal rights including compromise is going to be applied for the related amounts. For this reason, the Group recognized a provision of TL 27.484 for the principal part and TL 17.020 for the interest charges.

The reconciliation of tax expenses stated in the consolidated income statements is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Income/(loss) before tax	183.998	(384.717)
Expected tax expense according to parent company (20%)	(36.800)	76.943
Differences in tax rates of subsidiaries	(219)	269
Expected tax expense of the Group	(37.019)	77.212
Tax effect of non deductible expenses	(49.434)	(154.870)
Tax effect of discontinued operations	1.702	956
Tax effect of exemptions	67	270
Other differences	(808)	(1.984)
Tax expense of the Group	(85.492)	(78.416)

Deferred Income Taxes

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards purposes and its statutory tax financial statements. Deferred income taxes will be calculated on temporary differences that are expected to be realized or settled based on the taxable income as of 31 December 2014 in the coming years under the liability method using a principal tax rate of 20%, 20%, 10% and 10% for Turkey, Kazakhstan, Bulgaria and Macedonia, respectively (2013: 20%, 20%, 10% and 10%).

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided as of 31 December 2014 and 2013 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax asset/(liability)	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Fair value change of derivative instruments	2.229	869	446	174
Short term provisions	89.562	75.007	17.912	15.002
Inventories	19.593	16.781	3.919	3.356
Provision for employment termination benefits	55.848	43.954	11.170	8.791
Unincurred interest income	196	201	39	40
Other	4.677	5.959	935	1.192
Deferred income tax assets			34.421	28.555
Fair value change of derivative instruments	(882)	(949)	(176)	(190)
Property, plant and equipment and intangible assets	(762.124)	(734.964)	(145.245)	(139.482)
Unincurred interest expense	(18.335)	(15.186)	(3.667)	(3.037)
Other	(2.719)	(3.514)	(544)	(703)
Deferred income tax liability			(149.632)	(143.412)
Total deferred income tax liability, net			(115.211)	(114.857)

	31 December 2014	31 December 2013
Deferred income tax assets:		
Deferred income tax asset to be recovered after more than 12 months	11.615	8.965
Deferred income tax asset to be recovered within 12 months	22.806	19.590
	34.421	28.555
Deferred income tax liabilities:		
Deferred income tax liability to be settled after more than 12 months	(145.805)	(140.216)
Deferred income tax liability to be settled within 12 months	(3.827)	(3.196)
	(149.632)	(143.412)
Deferred tax liabilities, net	(115.211)	(114.857)

Movement of deferred income tax assets and liabilities are as follows:

1 January 2013	(106.618)
Deferred tax income from continuing operations	(7.478)
Recognized under equity	(251)
Cumulative translation difference	(510)
31 December 2013	(114.857)
1 January 2014	(114.857)
Deferred tax expense from continuing operations	(214)
Recognized under equity	(373)
Cumulative translation difference	233
31 December 2014	(115.211)

NOTE 26 - EARNINGS/(LOSSES) PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year.

Basic earnings per share are determined by dividing net income attributable to shareholders by the weighted average number of issued ordinary shares as below:

	1 January - 31 December 2014	1 January - 31 December 2013
Net income/(loss) attributable to the shareholders	98.513	(463.175)
Weighted average number of sales with Kr1 face value each ('000)	17.803.000	17.803.000
Earnings/(losses) per share (Kr)	0,55	(2,60)

There is no difference between basic and diluted earnings per share for any of the periods.

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(i) Balances with related parties

Due from related parties	31 December 2014	31 December 2013
Mavi Jeans Giyim Sanayi ve Tic. A.Ş.	38	18
Tekin Acar Büyük Mağazacılık T.A.Ş.	6	6
Provus Bilişim Hizmetleri A.Ş.	-	1
Sanal Merkez T.A.Ş.	-	30
Total due from related parties	44	55

Due to related parties	31 December 2014	31 December 2013
Natura Gıda San. Tic. ve A.Ş.	1.084	648
Other	86	86
Total due to related parties	1.170	734

(ii) Transactions with related parties

Inventory purchases:	1 January - 31 December 2014	1 January - 31 December 2013
Natura Gıda San. Tic. ve A.Ş.	3.877	2.270
	3.877	2.270

(iii) Other transactions with related parties

	1 January - 31 December 2014	1 January - 31 December 2013
Rent income	1.077	803
Other income	258	234
	1.335	1.037

(iv) Key management personnel compensation

The Group has determined key management personnel as chairman of executive board, members, general manager and general manager assistants.

Detail of compensation amounts to key management is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Short-term benefits to employees	12.445	9.946
	12.445	9.946

Compensation paid or payable consists of salaries, benefits, SGK and employer shares and Board of Directors attendance fees.

NOTE 28 - DERIVATIVE FINANCIAL INSTRUMENTS

Short-term derivative financial instruments

Current assets	31 December 2014	31 December 2013
Cap option	-	9
Forward foreign exchange contracts	874	870
	874	879

Current liabilities	31 December 2014	31 December 2013
Interest rate swap contracts	2.193	-
Forward foreign exchange contracts	36	-
	2.229	-

Long-term derivative financial instruments

Non-current assets	31 December 2014	31 December 2013
Cap option	9	70
	9	70

Non-current liabilities	31 December 2014	31 December 2013
Interest rate swap contracts	-	869
	-	869

The Group entered into a number of forward currency exchange contracts with banks in order to hedge its exchange rate risk. As at the settlement date, the Group sells TL and purchases Euro at agreed strike prices. The fair values of the foreign exchange contracts as of 31 December 2014 which extend until 31 December 2015 are as follows:

	EURO Amount to be purchased	TL Amount to be sold	Fair Value (TL)
Forward foreign exchange contracts	24.000	69.617	838

The fair values of the foreign exchange contracts as of 31 December 2013 which extend until 31 December 2014 are as follows:

	EURO Amount to be purchased	TL Amount to be sold	Fair Value (TL)
Forward foreign exchange contracts	6.000	17.370	870

The Group entered number of cap and interest rate swap contracts with banks in order to hedge its interest rate risk. The fair values of contracts and details as of 31 December 2014 and 2013 are as follows:

31 December 2014

Current Assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Cap	27 November 2013	29 November 2013	30 November 2015	206 million	-
					-

Non-current Assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Cap	21 November 2014	28 November 2014	30 November 2016	360 million	9
					9

Current Liabilities

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Interest rate swap	20 November 2012	30 November 2012	30 November 2015	200 million	2.193
					2.193

31 December 2013

Current Assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Cap	20 November 2012	30 November 2012	30 November 2014	300 million	9
					9

Non-current Assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Cap	27 November 2013	29 November 2013	30 November 2015	206 million	70
					70

Non-current Liabilities

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Interest rate swap	20 November 2012	30 November 2012	30 November 2015	200 million	869
					869

NOTE 29 - FINANCIAL RISK MANAGEMENT

Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize their potential adverse effects on the financial performance of the Group.

Individual subsidiaries manage their risk under policies approved by their Boards of Directors.

Interest rate risk

The Group management invests its interest bearing assets on short term investments with the principle of balancing the maturity of the assets and liabilities that are sensitive to the interest rate changes.

The weighted average effective interest rate of Group's financial liabilities that are sensitive to interest is 4,13%. (31 December 2013: 4,28%) As of 31 December 2014, if interest rates on TL, USD and Euro denominated borrowings had been 100 base point higher/ lower with all other variables held constant, pre-tax profit for the year would have been TL 1.513 (31 December 2013: TL 2.470) lower/ higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Interest rate positions of the Group at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Financial instruments with fixed interest rates		
Time deposits	197.949	579.136
Financial liabilities	700	1.092
Financial instruments with floating interest rates		
Financial liabilities	2.352.089	2.931.449

Liquidity and funding risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The funding risk of the current and future debt requirements is managed through the continuous availability of qualified lenders. As of 31 December 2014, the Group's financial debt with a maturity longer than 1 year is TL 1.782.826 (31 December 2013: TL 2.440.568) (Note 6).

The maturity analysis of Group's financial liabilities as of 31 December 2014 is as follows:

	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year - 5 years
Financial liabilities (Non-derivative):					
Financial payables	2.352.789	2.550.559	-	653.320	1.897.239
Trade payables	1.896.387	1.914.723	1.541.014	372.941	768
Other payables	87.714	87.714	87.714	-	-
	4.336.890	4.552.996	1.628.728	1.026.261	1.898.007

Derivative financial instruments

	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year - 5 years
Derivative cash inflows	883	-	-	-	-
Derivative cash outflows	(2.229)	(4.100)	-	(4.100)	-
Derivative financial liabilities, net	(1.346)	(4.100)	-	(4.100)	-

The maturity analysis of Group's financial liabilities as of 31 December 2013 is as follows:

	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year - 5 years
Financial liabilities (Non-derivative):					
Financial payables	2.932.541	3.269.559	-	602.933	2.666.626
Trade payables	1.685.963	1.701.148	1.402.872	298.276	-
Other payables	68.200	68.200	68.200	-	-
	4.686.704	5.038.907	1.471.072	901.209	2.666.626

Derivative financial instruments

	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year - 5 years
Derivative cash inflows	949	249	-	249	-
Derivative cash outflows	(869)	(1.920)	-	(956)	(964)
Derivative financial liabilities, net	80	(1.671)	-	(707)	(964)

Credit risk

The Group is exposed to credit risk due to its sales other than retail sales. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by limiting the aggregate risk from any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer base.

The risk details of credits and receivables as of 31 December 2014 and 2013 are as follows. Amounts showing the maximum credit risk exposed as of the balance sheet date are disclosed by disregarding guarantees on hand and other factors that increase the credit quality.

	31 December 2014			
	Trade receivables		Other receivables	Deposits
	Related Parties	Other	Other	in Banks
Maximum exposed credit risk				
As of reporting date (A+B+C+D)	44	47.803	9.363	259.753
Secured portion of maximum				
Credit risk by guarantees etc.	44	5.330	-	-
A. Net book value of financial assets				
Either are not due or not impaired	44	44.972	9.363	259.753
Secured portion by guarantees etc.	44	3.502	-	-
B. Financial assets with renegotiated conditions	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-
C. Net book value of the expired				
or not impaired financial assets	-	1.318	-	-
secured portion by guarantees	-	314	-	-
D. Impaired assets				
Net book value	-	1.513	-	-
Over due (Gross book value)	-	26.923	-	-
Impairment (-)	-	(25.410)	-	-
Secured portion of the net value by guarantees etc.	-	1.513	-	-

	31 December 2013			
	Trade receivables		Other receivables	Deposits
	Related Parties	Other	Other	in Banks
Maximum exposed credit risk				
As of reporting date (A+B+C+D)	55	48.340	2.485	652.230
Secured portion of maximum				
Credit risk by guarantees etc.	-	9.419	-	-
A. Net book value of financial assets				
Either are not due or not impaired	55	43.831	2.485	652.230
Secured portion by guarantees etc.	-	7.917	-	-
B. Financial assets with renegotiated conditions	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-
C. Net book value of the expired				
or not impaired financial assets	-	3.007	-	-
secured portion by guarantees	-	-	-	-
D. Impaired assets				
Net book value	-	1.502	-	-
Over due (Gross book value)	-	24.445	-	-
Impairment (-)	-	(22.943)	-	-
Secured portion of the net value by guarantees etc.	-	1.502	-	-

As of today there are no uncollected, overdue, and renegotiated bank deposits nor credit card receivables present at the Group portfolio, thus the Group is in the opinion that there are no credit risks regarding these assets. The Group's past experience in collecting their receivables was taken into account while determining the provisions. Thus, the group does not consider of any further trade receivables risk other than the provision for possible collection losses.

a) Credit quality of financial assets

	31 December 2014	31 December 2013
Group 1	5.251	7.454
Group 2	48.762	38.100
Group 3	366	817
	54.379	46.371

Group 1 - New customers (Less than 3 months)

Group 2 - Existing customers with no defaults in the past (more than 3 months)

Group 3 - Existing customers with some defaults in the past of which were fully recovered

b) Aging of the receivables which are overdue but not impaired

	31 December 2014	31 December 2013
0-1 months	618	661
1-3 months	115	739
3-12 months	585	815
1-5 years	-	792
	1.318	3.007

c) Geographical concentration of the trade and other receivables

	31 December 2014	31 December 2013
Turkey	44.683	38.861
Other	12.527	12.018
	57.210	50.879

Foreign currency risk

The Group is exposed to foreign exchange risk arising primarily with respect to borrowings denominated in foreign currencies. Aforementioned foreign exchange risk is followed and monitored by the management.

At 31 December 2014, if Euro had appreciated against TL by 5% and all other variables remaining the same, the profit for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in Euro would have been lower by TL 116.857.

FOREIGN CURRENCY POSITION

	31 December 2014				31 December 2013			
	Total TL equivalent	USD	EURO	Other TL equivalent	Total TL equivalent	USD	EURO	Other TL equivalent
Trade receivables	6.192	343	-	5.396	7.701	374	27	6.823
Monetary financial assets	49.014	9.225	6.554	9.137	391.178	4.917	123.169	18.998
Other	18.217	1.456	24	14.774	12.494	1.214	-	9.903
Current assets	73.423	11.024	6.578	29.307	411.373	6.505	123.196	35.724
Other	45.821	-	-	45.821	203	95	-	-
Non-current assets	45.821	-	-	45.821	203	95	-	-
Total assets	119.244	11.024	6.578	75.128	411.576	6.600	123.196	35.724
Trade payables	18.952	1.128	174	15.845	17.481	1.039	147	14.831
Financial liabilities	569.963	-	202.064	-	491.973	-	167.537	-
Non-monetary other liabilities	5.737	2.030	-	1.030	8.783	1.694	-	5.167
Current liabilities	594.652	3.158	202.238	16.875	518.237	2.733	167.684	19.998
Financial liabilities	1.782.826	-	632.051	-	2.440.568	-	831.115	-
Non-monetary other liabilities	2.404	-	852	-	2.593	-	883	-
Non-current liabilities	1.785.230	-	632.903	-	2.443.161	-	831.998	-
Total liabilities	2.379.882	3.158	835.141	16.875	2.961.398	2.733	999.682	19.998

FOREIGN CURRENCY POSITION

	31 December 2014				31 December 2013			
	Total TL equivalent	USD	EURO	Other TL equivalent	Total TL equivalent	USD	EURO	Other TL equivalent
Net asset/(liability) position of off-balance sheet derivatives (A-B)	-	-	-	-	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	(2.260.638)	7.866	(828.563)	58.253	(2.549.822)	3.867	(876.486)	15.726
Net foreign currency asset/(liability) position of monetary items	(2.316.535)	8.440	(827.735)	(1.312)	(2.551.143)	4.252	(875.603)	10.990
Fair value of hedged funds of foreign currency	838	-	-	-	870	-	-	-
Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedged amount of foreign currency liabilities	67.697	-	24.000	-	17.619	-	6.000	-
Export	-	-	-	-	-	-	-	-
Import	73.066	33.286	-	-	78.314	41.080	-	-

Foreign currency sensitivity analysis as of 31 December 2014 and 2013 is as follows:

31 December 2014

	Gain/Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
5% change in Euro exchange rate		
Euro net asset/liability	(116.857)	116.857
Portion secured from Euro risk	-	-
Euro Net effect	(116.857)	116.857

31 December 2013

	Gain/Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
5% change in Euro exchange rate		
Euro net asset/liability	(128.690)	128.690
Portion secured from Euro risk	-	-
Euro Net effect	(128.690)	128.690

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group carries out financial risk analysis by following its capital risk management on a monthly basis on the basis of gearing ratio, short term balance sheet liquidity and net financial debt level.

The ratio of net debt/(equity +net debt) at 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Total liabilities	4.674.329	4.966.411
Less: Cash and cash equivalents	(689.074)	(1.038.329)
Deferred tax liabilities (net)	(115.211)	(114.857)
Net debt	3.870.044	3.813.225
Equity	918.612	829.533
Equity+net debt	4.788.656	4.642.758
Net debt/(Equity+net debt) ratio	80,82%	82,13%

NOTE 30 - FINANCIAL INSTRUMENTS

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In the balance sheet, derivative financial instrument is the only item that is recognised at fair value. The fair value of derivative financial instrument is determined by using valuation technique, which can be regarded as Level 2. Apart from that, for disclosure purposes, borrowings after deducting transaction costs carried at the balance sheet are presented as approximately as at fair values in Note 6. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate (Euribor) that is available to the Group for similar financial instruments that can be classified as level 2. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

NOTE 31 - MERGER OF ENTERPRISES SUBJECT TO COMMON CONTROL

In accordance with the decision adopted during Migros Türk's general assembly held on 28 April 2009, Migros Türk has decided to merge with Moonlight through a takeover of its assets and liabilities as a whole within the framework of Capital Markets Board ("CMB") requirements, Turkish Commercial Code, Law No. 451, and other related articles and Corporate Tax Law No. 19-20. As a result of the mentioned merger, it has been decided to increase Moonlight's capital from TL 174.323.340 to TL 178.030.000 and also in accordance with the merger agreement approved during the General Assembly, merger ratio of 0,97918 and share exchange ratio of 1,00 has been identified. As a result of the merger, registered shares amounting to TL 3.706.660 issued by Moonlight have been distributed to the minority shareholders of Migros Türk in exchange for their Migros Türk shares.

On 30 April 2009 Istanbul Trade Registry Office has announced the registry of Migros Türk's general assembly held on 28 April 2009 and merger agreement on 6 May 2009 dated and 7305 numbered Trade Registry Gazette. As a result of the merger, Moonlight's trade name has been changed to Migros Ticaret A.Ş.

The difference occurred as a result of merger amounting TL 27.312, has been presented as "Additional contribution to shareholders' equity related to merger" under consolidated equity, as there are no related lines present at the financial statement presentation format which is held mandatory by CMB.

NOTE 32 - DISCLOSURE OF OTHER MATTERS REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE CONSOLIDATED FINANCIAL STATEMENTS

None.

NOTE 33 - SUBSEQUENT EVENTS

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) and the related due diligent process was completed.

Following the completion of negotiations between the related parties, 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.

According to the aforementioned agreement, the amount to be paid to BC Partners will be calculated based on TL 26,00 per Migros share.

Pursuant to related regulatory approvals and the share transfer, AEH and Moonlight Capital S.A. (Moonlight Capital), controlled by BC Partners, will hold respectively 80,5% and 19,5% of MH Perakendecilik A.Ş. (MH Perakendecilik), which will in turn own 50% shares of Migros. The remaining 30,5% shares of Migros will be held by Moonlight Capital, while 19,5% shares will be publicly traded.

After the completion of share transfer, BC Partners and AEH will jointly control Migros under certain conditions and duration.

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.

MİGROS TİCARET A.Ş.
HEAD OFFICE

Address: Atatürk Mah. Turgut Özal Bulvarı No: 7
34758 Ataşehir / İstanbul
Tel: +90 216 579 30 00

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

www.migroskurumsal.com

THE PAPER USED IN THE PRODUCTION OF THIS ANNUAL REPORT IS LENZA GREEN, WHICH IS PRODUCED FROM 100 % RECYCLED PAPER AND HAS BEEN ASSIGNED A TRIPLE 5-STAR 97% (EXCELLENT) RATING BY THE WORLD WILDLIFE FUND.