

MİGROS



MİGROS TİCARET A.Ş.

01.01.2017 – 31.03.2017 INTERIM ANNUAL REPORT
PREPARED PURSUANT TO THE CMB SERIES:II NO:14.1

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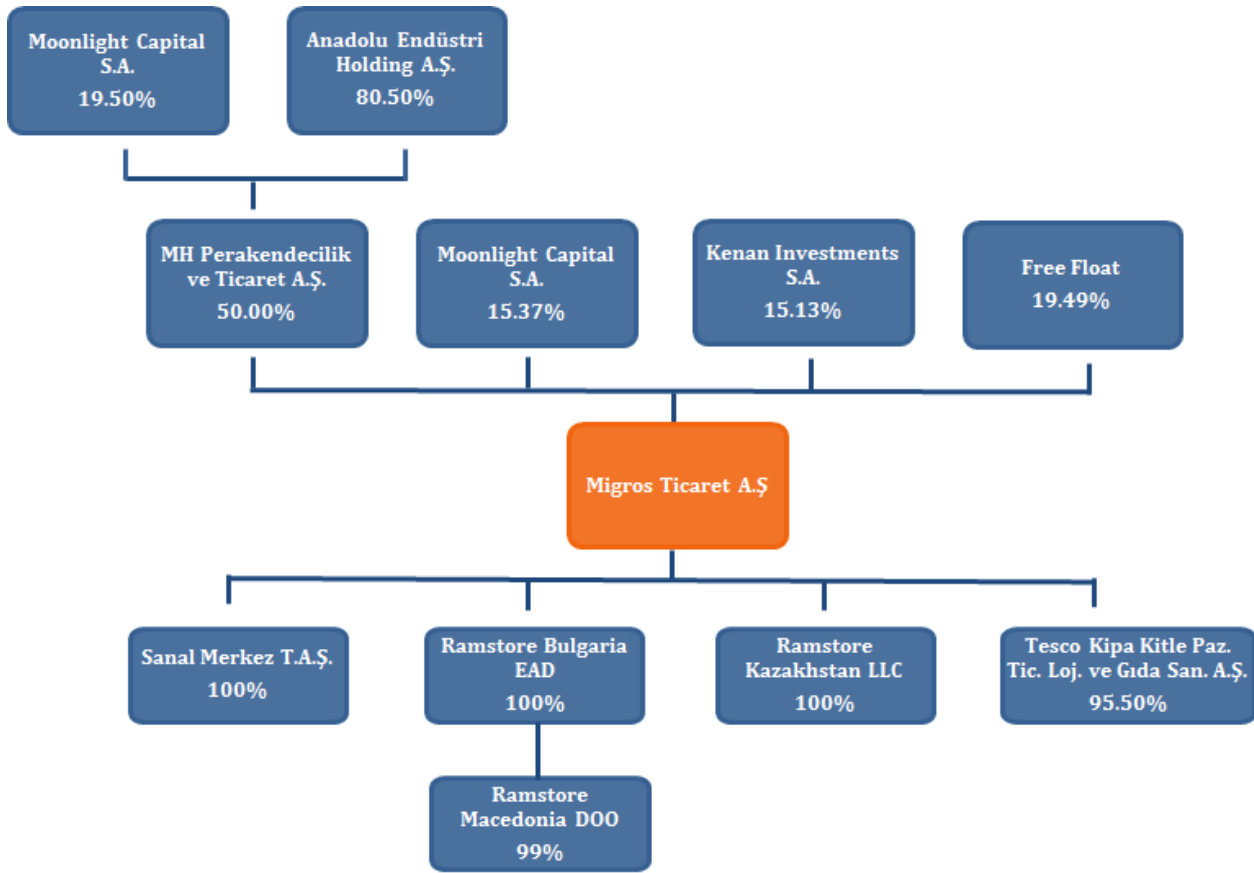
CORPORATE PROFILE

Company	: Migros Ticaret A.Ş.
The Date of Foundation*	: 19.03.2008
Trade Registry Office	: Istanbul Trade Registry Office
Trade Registry Number	: 659896
Tax Administration	: Büyük Mükellefler Vergi Dairesi
Tax ID	: 6220529513
Address	: Atatürk Mahallesi Turgut Özal Bulvarı No: 7 34758 Ataşehir - İstanbul
Phone	: 0216 579 30 00
Fax	: 0216 579 35 00
Corporate Web Site	: www.migroskurumsal.com
E-mail	: malimigros@migros.com.tr
Capital	: TL 178,030,000
Stock Exchange	: Borsa İstanbul
Listing Year at the Stock Exchange**	: 2009
Symbol	: MGROS.IS

(*) : Migros Türk T.A.Ş. and Moonlight Perakendecilik ve Ticaret A.Ş., established in March 19, 2008, were merged on April 30, 2009. Moonlight changed its name to Migros Ticaret A.Ş. subsequent to the merger.

(**) : It is the first listing date of Migros Ticaret A.Ş. in ISE following the merger with Migros Türk T.A.Ş.

Migros Ticaret A.Ş. Current Ownership Structure and Its Subsidiaries



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

With this transaction, the total shares directly and indirectly held by Moonlight Capital S.A. ("Moonlight") in the capital of our Company decreased to 40.25% and the shares indirectly held by AEH in our Company has been 40.25%.

As stated in the material event disclosure dated May 3, 2017, AEH had the 'purchase option' and BP Partners controlled Moonlight Capital had the 'sell option' of 19.5% of the shares of MH Perakendecilik owned by Moonlight Capital, to be exercised between 01.05.2017 and 31.10.2017. MH Perakendecilik owns 50% of the share capital of Migros.

As of May 2, 2017, Moonlight Capital informed AEH of its decision to exercise its right to sell these shares to AEH.

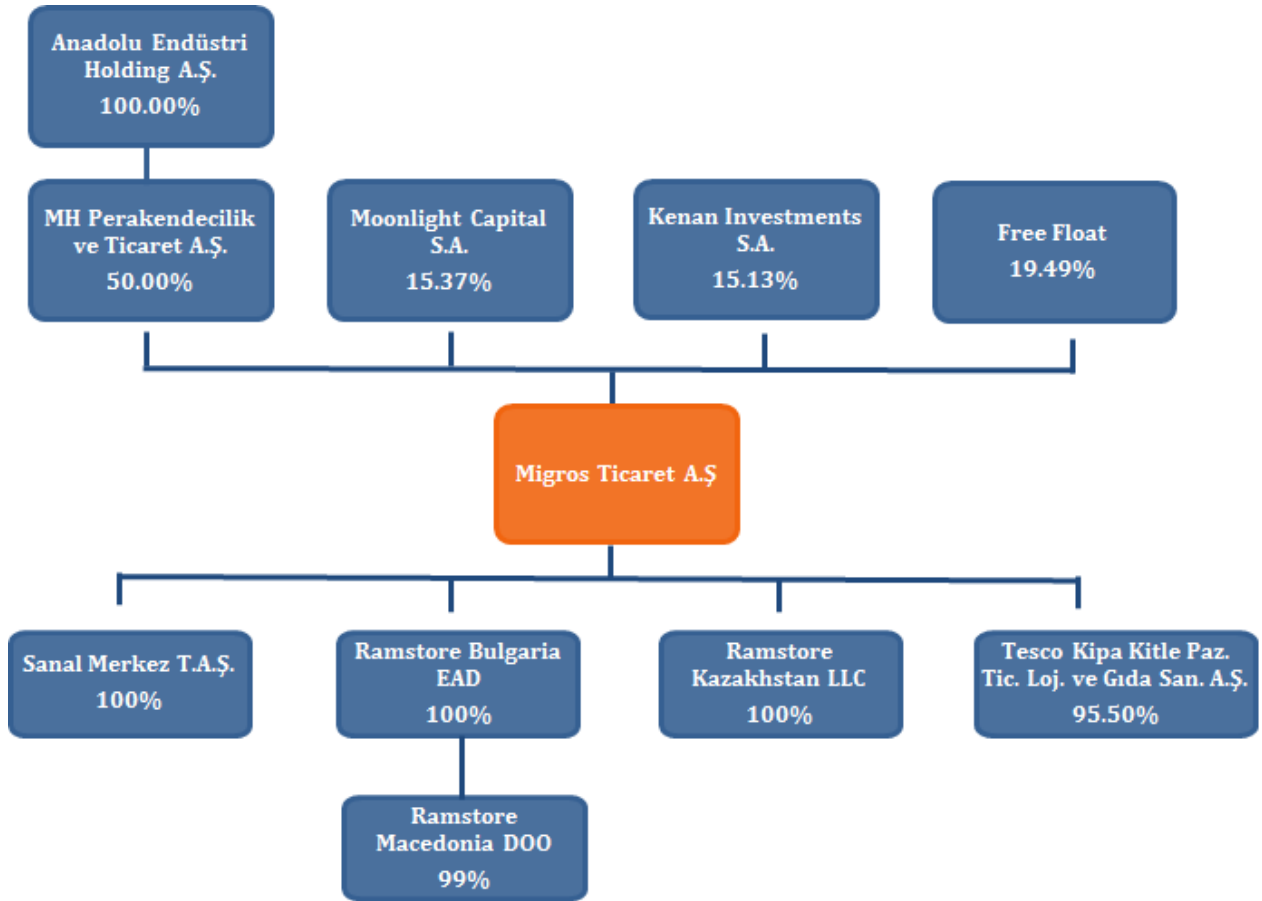
According to the 'Share Purchase Agreement' terms dated 31.12.2014, the price for 1 Migros share is determined as 30.2 TL, which forms the basis for calculating the 19.5% of MH Perakendecilik share price. Subsequent to the other price adjustments, the total considerations for the shares is calculated as 509,029,436 TL.

Under the Share Purchase Agreement, the exercise of the option and transfer of shares shall be completed after 10 business days following serving of the notice (on May 16, 2017) upon the payment transfer for the shares.

After the completion of the transaction, AEH's share ownership in MH Perakendecilik will increase to 100%, which translates into indirect ownership of AEH in Migros increasing to 50%. At the same time, the funds managed by BC Partners will have 30.5% of Migros shares.

Migros' management control is shared equally by AEH and funds managed by BC Partners.

The new shareholding structure of Migros after share transfer (as of May 16, 2017);



INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) grew by 2.9% in 2016 in real terms. The consumption expenditure of households increased by 2.3% during the same period.

The CPI, which was 8.53% in 2016, grew by 11.29% in March 2017 versus the same month of the previous year. The prices of food and non-alcoholic beverages rose by 12.53% in comparison to last year. According to the latest Inflation Report of the Central Bank of Turkey (CBT), the annual CPI is expected to be between 7.3% and 9.7% (mid-point of 8.5%) by the end of 2017.

SECTION 1: CORPORATE INFORMATION

Board of Directors

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

Board of Directors	
Tuncay Özilhan	Chairman
Nikolaos Stathopoulos	Vice Chairman
Salih Metin Ecevit	Board Member
Talip Altuğ Aksoy	Board Member
Kamilhan Süleyman Yazıcı	Board Member
Stefano Ferraresi	Board Member
Salim Abdullah Khalfan Al Ma'mari	Board Member
Ömer Özgür Tort	Board Member and General Manager
Jacob Cornelio Adriano de Jonge	Independent Board Member
Tayfun Bayazıt	Independent Board Member
Hakkı Hasan Yılmaz	Independent Board Member
İzzet Karaca	Independent Board Member

At the ordinary general assembly meeting held on April 11, 2017, Tuncay Özilhan, Nikolaos Stathopoulos, Salih Metin Ecevit, Talip Altuğ Aksoy, Kamilhan Süleyman Yazıcı, Stefano Ferraresi, Salim Abdullah Khalfan Al Ma'mari, Ömer Özgür Tort were elected as members of the Board of Directors and Jacob Cornelio Adriano de Jonge, Tayfun Bayazıt, Hakkı Hasan Yılmaz and İzzet Karaca were elected as independent members of the Board of Directors until the General Assembly Meeting of the Company's for the year of 2017. According to the Board decision dated 20 April 2017, Tuncay Özilhan was elected as the Chairman of the Board and Nikolaos Stathopoulos as the Vice-Chairman.

Information on external positions held by Board members and Independent Board Members' Affidavit is provided at the Company corporate website at www.migroskurumsal.com. 10 Board resolutions were taken in the first quarter of 2017.

Authorities, Duties and Term of Office of the Board of Directors

According to the Articles of Association of the Company, the Board of Directors have the authority to take any decision with the exception of matters that needs the resolution of the General Assembly in accordance with the laws and Company's Articles of Association. The Board of Directors of the Company were appointed at the 2016 Ordinary General Assembly Meeting dated April 11, 2017 until the General Assembly Meeting in which the Company's 2017 accounts are to be discussed .

Committees of Board of Directors

In accordance with the Board of Directors resolution dated May 8, 2017, it was resolved that, within the scope of the Communiqué on Corporate Governance (II-17.1) of the Capital Markets Board ("CMB"), the Corporate Governance Committee shall be responsible for the duties of the Nomination Committee and Remuneration Committees and that the committees of our Company shall comprise of the following members.

Audit Committee		
İzzet Karaca	President	Non-executive
Jacob Cornelio Adriano de Jonge	Member	Non-executive

Corporate Governance Committee		
Jacob Cornelio Adriano de Jonge	President	Non-executive
Nikolaos Stathopoulos	Member	Non-executive
Mehmet Hurşit Zorlu	Member	Non-executive
İzzet Karaca	Member	Non-executive
Affan Nomak	Member	Head of Investor Relations

Early Recognition of Risk Committee		
Tayfun Bayazıt	President	Non-executive
Hakkı Hasan Yılmaz	Member	Non-executive
Erkin Yılmaz	Member	CFO

Working Principles of Committees

Working Principles of the Audit Committee

Scope and Objective

The Audit Committee, which was formed under the framework of the Capital Markets legislation, is continuing its activities under the auspices of the Board of Directors.

The objective of the Audit Committee is to oversee the operation of the Company's accounting and reporting system in line with the relevant law and regulatory framework, the audit and disclosure to the public of financial information, the operation and effectiveness of the independent audit and internal control systems are monitored.

Authority

The Audit Committee is formed and authorized by the Board of Directors. The Board of Directors determines the scope of the Audit Committee's duties as well as the working principles applicable thereto. The Audit Committee may make use of independent expert opinions on matters it may deem necessary with regards to its activities and the cost of such consultancy service shall be covered by the Company.

The committee acts within the scope of its own authority and responsibility and may advise the Board of Directors but ultimately the responsibility for making decisions lies with the Board of Directors at all times.

The detailed information on the structure of the Committee and its meetings, its duties and responsibilities, its basis and its effectiveness are provided in our corporate website (www.migroskurumsal.com) under the Investor Relations tab.

Working Principles of The Corporate Governance Committee

Scope and Objective

The Corporate Governance Committee, which was formed under the framework of the Capital Markets legislation, is continuing its activities under the auspices of the Board of Directors.

The objective of the Corporate Governance Committee, in line with the Communiqué on Corporate Governance (II.17.1) of the Capital Market Board, is to ascertain whether or not the corporate governance principles are being implemented at our Company, if not, the reason for such failure and the conflict of interests arising from this failure to fully comply with these principles, to advise the Board of Directors on improving corporate governance implementation and monitoring the efforts of the Investor Relations Department.

Pursuant to the Communiqué on Corporate Governance, the Corporate Governance Committee also carries out the duties of the Nomination Committee and the Remuneration Committee.

Authority

The Corporate Governance Committee is formed and authorized by the Board of Directors. The Board of Directors determines the scope of the Corporate Governance Committee's duties as well as the working principles applicable thereto. The Corporate Governance Committee may make use of independent expert opinions on matters it may deem necessary with regards to its activities and the cost of such consultancy service shall be covered by the Company.

The committee acts within the scope of its own authority and responsibility and may advise the Board of Directors, but ultimately the responsibility for making decisions lies with the Board of Directors at all times.

The detailed information on the structure of the Committee and its meetings, its duties and responsibilities, its basis and its effectiveness are provided in our corporate website (www.migroskurumsal.com) under the Investor Relations tab.

Working Principles of The Early Detection Of Risk Committee

Scope and Objective

The Early Detection of Risk Committee, which was formed under the framework of the Capital Markets legislation and article 378 of the Turkish Commercial Code, is continuing its activities under the auspices of the Board of Directors.

The objective of the Early Detection of Risk Committee is to determine risks that could endanger the existence, development and continuity of the Company, the implementation of precautions necessary in relation to the risks that have been identified and the management of those risks.

Authority

The Early Detection of Risk Committee is formed and authorized by the Board of Directors. The Board of Directors determines the scope of the Early Detection of Risk Committee's duties as well as the working principles applicable thereto. The Early Detection of Risk Committee may make use of independent expert opinions on matters it may deem necessary with regards to its activities and the cost of such consultancy service shall be covered by the Company.

The committee acts within the scope of its own authority and responsibility and advises the Board of Directors, but ultimately the responsibility for making decisions lies with the Board of Directors at all times.

The detailed information on the structure of the Committee and its meetings, its duties and responsibilities, its basis and its effectiveness are provided in our corporate website (www.migroskurumsal.com) under the Investor Relations tab.

Senior Management

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

Senior management compensation

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

Total compensation provided to key management personnel by the Company for the periods ended 31 March 2017 and 31 March 2016 has been provided at Note 21 of Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2017 of the Company.

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

Number of Employees

As of 31 March 2017, the Company employs an average of 27,515 employees including its foreign subsidiaries. (31 December 2016: 21,438)

Subsidiaries

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

Subsidiaries	Country of incorporation	Geographical segment	Nature of business	Mar. 2017 (%)	Dec. 2016 (%)
Ramstore Bulgaria E.A.D.	Bulgaria	Bulgaria	Dormant	100.0	100.0
Ramstore Kazakhstan LLC	Kazakhstan	Kazakhstan	Retailing	100.0	100.0
Ramstore Macedonia DOO	Macedonia	Bulgaria	Retailing	99.0	99.0
Sanal Merkez Ticaret A.Ş. (*)	Turkey	Turkey	Dormant	100.0	100.0
Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi A.Ş.	Turkey	Turkey	Retailing	95.5	-

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

The shareholding structure of Migros Ticaret A.Ş.

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

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

As of March 31, 2017;

Migros Ticaret A.Ş.		
Shareholder	Share (%)	Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	50.00	89,015,000
Moonlight Capital S.A.	15.37	27,371,000
Kenan Investments S.A.	15.13	26,937,336
Other	19.49	34,706,664
Total	100.00	178,030,000

Information About the Most Recent Capital Increase

No increase was made in the capital during January 01 – March 31, 2017.

Information on General Assembly Meeting

General Assembly Meeting

Meeting Minutes and List of Attendees pertaining to 2016 Ordinary General Assembly Meeting of our Company dated April 11, 2017 were disclosed in our corporate web site (www.migroskurumsal.com). In the Ordinary General Assembly Meeting, the statutory and the consolidated financial statements dated 31.12.2016, which was prepared in accordance with TFRS and the other agenda articles were duly accepted.

During the General Assembly Meeting, as per the Communiqué of the Board of Capital Markets on Independent Auditing Standards, it was resolved to authorize PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., which was recommended by the Audit Committee and selected by the Board of Directors for the year 2017, to act as the independent auditor of the Company.

Amendments in the Articles of Association

No change was made in the Articles of Association during January 01 – March 31, 2017.

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

Authorities and Duties of the Auditors

Article 400 (“Auditors”) of the Turkish Commercial Code reads:

An auditor may be any individual who is licensed pursuant to the Certified Public Accountancy and Chartered Accountancy Act (Statute 3568 dated 1 June 1989) to perform independent audits as a chartered accountant or as a certified public accountant and who has been authorized to do so by the Public Oversight, Accounting, and Auditing Standards Authority and/or by a joint-stock company whose shareholders consist of such individuals.

At the Company's 2016 Ordinary General Assembly Meeting dated April 11, 2017, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. was elected as auditor for 2017 fiscal year.

The Dividend Policy of Migros

As it was submitted to shareholders at the Ordinary General Assembly Meeting on March 23, 2016;

In line with the Company's long-term strategies, investments and financing plans and profitability, the amount of dividend, which determined by the Board of Directors and submitted for the approval of the General Assembly, computed in accordance with the CMB communiqués and regulations, can be distributed in cash or in the form of bonus shares of stock, or some combination of the two, or retain in the Company.

If General Assembly approves dividend distribution; due dates for distribution will be either decided individually by the General Assembly or General Assembly may authorize Boards of Directors. In any case, distribution should start the latest by the end of the fiscal year, in which the General Assembly approves the dividend distribution. Additionally, distribution is complied with all other requirements stated in Capital Market Law and CMB communiqués.

There are no preferred stocks and any individual to take part in the profits other than shareholders in the Company.

This is the Company's policy for the next three years. Any change in this policy will be publicly disclosed.

Process of Tesco Kipa share transfer

As announced in our public disclosure on 10 June 2016, in accordance with our Company's long-term growth strategy, an agreement for the purchase of shares held by Tesco Overseas Investments Limited (the “Seller”) in Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi A.Ş. (“Kipa”) representing approximately 95.50% of the share capital of Kipa was executed among the Seller and our Company on 10 June 2016.

Following the signing of the agreement our Company submitted an application to the Competition Board on 21 June 2016 in order to obtain legal permissions regarding the share transfer. The Competition Authority granted its permission on February 9, 2017.

Following the satisfaction of the conditions for the completion as stated in the share purchase agreement, the share transfer was realized on 01.03.2017.

After deduction of financial liabilities and other adjustments based on of Kipa's the last fiscal year estimated balance sheet, TL 199 million were paid to the Seller for 95,50% of Kipa at the transfer date of the shares.

The total price for these shares had been determined by bilateral negotiations. The calculated value per share is 0.15638 TL.

After completing the share transfer, Kipa's management and control was passed to our Company.

The change of control triggered an obligation for mandatory tender offer (MTO) for minority shares. Our Company applied to the Capital Markets Board on March 7, 2017 to be exempt from the obligation as defined in the first paragraph of Article 18 of the Communiqué No: II-26.1 of the Capital Markets Board.

The decision made by the CMB regarding this application shall be announced to the public in accordance with the provisions of the relevant legislation.

SECTION 2: FINANCIAL INFORMATION

Sales

(Thousand TL)	Jan. 01 – Mar. 31, 2017	Jan. 01 – Mar. 31, 2016
Domestic sales	3,076,271	2,390,352
Foreign sales	98,658	79,833
	3,174,929	2,470,185
Other sales	5,391	2,650
	3,180,320	2,472,835
Less: Discounts and returns	-66,685	-61,738
Sales revenue – net	3,113,635	2,411,097

Financial Statements

Migros - IFRS Consolidated Income Statement Summary (Thousand TL)	Jan. 01 – Mar. 31, 2017	(%)	Jan. 01 – Mar. 31, 2016 (Restated)	(%)
Net Sales	3,113,635	100.0	2,411,097	100.0
Cost of sales (-)	-2,296,306	-73.8	-1,751,558	-72.6
Gross Profit	817,329	26.2	659,539	27.4
Operating Expenses	-742,082	-23.8	-583,995	-24.2
Other Operating Income / (Expense)	-44,082	-1.4	-30,225	-1.3
Operating Profit	31,165	1.0	45,319	1.9
Income / (Expense) from investment activities	1,067,997	34.3	-924	0.0
Operating Income Before Financial Income / (Expense)	1,099,162	35.3	44,395	1.8
Financial Income / (Expense)	-185,268	-6.0	-64,565	-2.7
Income/Loss Before Tax	913,894	29.4	-20,170	-0.8
Tax Income / (Expenses)	-753	0.0	-8,156	-0.3
Deferred Tax Income	-7,108	-0.2	2,583	0.1
Net Profit / Loss	906,033	29.1	-25,743	-1.1
<i>Non-controlling Interest</i>	-982	0.0	15	0.0
<i>Equity holders of Parent</i>	907,015	29.1	-25,758	-1.1
EBITDA	155,796	5.0	147,530	6.1
EBITDAR	317,266	10.2	275,002	11.4

Migros IFRS Consolidated Balance Sheet Summary (Thousand TL)	March 2017	(%)	December 2016 (Restated)	(%)
Current Assets	2.886.980	33,7	2.471.347	39,4
Non-current Assets	5.673.803	66,3	3.805.379	60,6
Total Assets	8.560.783	100,0	6.276.726	100,0
Current Liabilities	4.376.410	51,1	3.320.760	52,9
Non-current Liabilities	3.018.394	35,3	2.763.353	44,0
Total Liabilities	7.394.804	86,4	6.084.113	96,9
Equity Attributable to Owners of Parent	1.106.329	12,9	191.793	3,1
Non-controlling Interest	59.650	0,7	820	0,0
Total Equity	1.165.979	13,6	192.613	3,1
Total Liabilities and Equity	8.560.783	100,0	6.276.726	100,0

Financial Structure and Profitability Ratios

LIQUIDITY RATIOS	March 2017	December 2016
Current Ratio	0.66	0.74

FINANCIAL STRUCTURE RATIOS	March 2017	December 2016
Financial Leverage (Total Liabilities / Total Liabilities & Equity)	0.86	0.97
Total Liabilities / Equity	6.34	31.59
Financial Liabilities / Total Assets	0.43	0.47
Net Cash Position (Thousand TL)	-2,461,108	-1,822,244

PROFITABILITY RATIOS (%)	Jan. 1 – March 31, 2017	Jan. 1 – March 31, 2016
Gross Profit Margin	26.2%	27.4%
Operating Profit Margin	1.0%	1.9%
EBITDA Margin	5.0%	6.1%
EBITDAR Margin	10.2%	11.4%
Net Profit / Loss Margin	29.1%	-1.1%

SHARE PERFORMANCE RATIOS	March 2017	March 2016
Market Cap (Thousand TL)	3,945,145	3,177,836
Share Price (TL)	22.16	17.85
Earnings Per Share (EPS) (TL)	5.09	-0.14

Financial Evaluation

Migros finalized the acquisition of 95.5% of Tesco Kipa shares on March 01, 2017 and started to consolidate Tesco Kipa financial results. In the first quarter of 2017, Migros' consolidated sales, including March sales of Kipa, reached TL 3,114 million with a yearly sales growth of 29.1%. The domestic sales growth which was 18.7% in the first quarter of 2016 reached 29.3% in the same quarter of 2017.

In the first quarter of 2017, consolidated gross profit increased by 23.9% to reach TL 817 million.

EBITDA (Earnings Before Interest, Depreciation, Tax and Amortization) increased 5.6% to reach TL 156 million in the first quarter of 2017 (excluding Kipa: TL 165 million) with a margin of 5.0% (5.6% without Kipa) (1Q 2016: 6.1%). In the first quarter of 2017, EBITDA before rent expenses increased by 15.4% versus the same period of the previous year, resulting a margin of 10.2% (1Q 2016: 11.4%).

Migros recorded subsidiary acquisition profit in 1Q 2017 due to Tesco Kipa acquisition, which bolstered shareholders equity. Net consolidated profit of Migros in 1Q 2017, including the acquisition profits, was TL 907m. The Company's shareholders' equity was TL 1,166 million as of March 31, 2017.

Migros achieved its 2016 targets for store opening, sales growth and EBITDA. The Company targets 120 to 150 new store openings, consolidated sales growth between 30-35% (including sales turnover of Kipa for 10 months) and 5.0-5.5% EBITDA margin including Kipa (6.0-6.5% excluding Kipa) in 2017.

The Dividend Distribution

At the Ordinary General Assembly Meeting dated April 11, 2017, within the Communiqué of Capital Markets Board (CMB) No. II-19.1 and in accordance with our articles of association and dividend distribution policies that were disclosed to public by our company, it was decided not to distribute dividends for 2016 fiscal year as the company recorded net loss at the 2016 consolidated financial statements prepared in accordance with the Turkish Commercial Code and CMB legislation.

The financial resources and the risk management policies

Loans

As of March 31, 2017, the outstanding bank loans of the Company stand at TL 3.650.589 thousand.

An agreement has been signed on 30 April 2015 between Migros Ticaret A.Ş. and Türkiye Garanti Bankası A.Ş., Türkiye İş Bankası A.Ş., Akbank T.A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. and Commercial Bank of Qatar (Q.S.C) for EUR 730 million and EUR 100 million equivalent of TL with a maturity of 8 years and semi-annual interest payment and amortization. Furthermore, an additional EUR 100 million facility is provided to the Company valid for 8 years for any potential working capital requirements in the future. Migros shares owned by MH Perakendecilik ve T.A.Ş., Moonlight Capital S.A. and Kenan Investments S.A. were pledged in favor of the creditor banks.

The Company obtained short term loan amounting to TL 140 million on 22 February 2017 by drawing down on the existing lines in the facility agreement dated 30 April 2015.

The redemption schedule of principal amounts of bank borrowings at 31 March 2017:

(Thousand TL)	Tenge Loan TL Equivalent	Euro Loan TL Equivalent	TL Loan	Total TL Equivalent	Percentage (%)
1 April 2017 - 31 March 2018	-	80.569	610.466	691.035	19,2%
1 April 2018 - 31 March 2019	2.257	241.679	24.285	268.221	7,4%
1 April 2019 - 31 March 2020	4.513	369.211	37.100	410.824	11,4%
1 April 2020 - 31 March 2021	4.513	453.119	45.532	503.164	14,0%
1 April 2021 - 31 March 2022	4.513	537.056	53.967	595.536	16,5%
1 April 2022 - 31 March 2023	4.513	637.741	64.084	706.338	19,6%
1 April 2023 - 24 October 2023	3.385	385.989	38.786	428.160	11,9%
	23.694	2.705.364	874.220	3.603.278	100.0%

Risk Management and Internal Control Mechanism

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

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

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

The company's exposure to the fluctuations in foreign exchange rates and interest rates, is mainly due to the foreign exchange denominated loans in its Balance Sheet. Foreign exchange risk from loans and fluctuations in Euribor rates are continuously monitored and limited by hedging derivative instruments. Detailed information has been provided at Note 23, titled Exchange Rate Risk and Foreign Currency Position. of Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2017 of the Company.

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

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

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

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

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

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

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

Within this context, in line with the 2016 risk analysis conducted and annual internal audit plan. the Internal Audit Department has conducted financial and operational audits encompassing various departments and processes. The assessments and suggestions generated at the end of the audits were presented to the Company's senior management together with the audit reports that had been prepared and the points of improvement were highlighted under the philosophy of continual development. In addition to the financial and operational audits conducted by the Internal Audit Department, the Internal Audit Department also completed control inspections of issues that had been identified earlier, reported to the senior management and regarding which an agreement had been reached as to the precautions that would be taken. Similar risk analysis and audits were conducted in the first quarter of 2017.

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

No capital market instruments were issued during the period of 01 January – 31 March 2017.

SECTION 3: OPERATIONAL ACTIVITIES

Position of Migros in the Sector and Investments

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

During January 01 – March 31, 2017, Migros Ticaret A.Ş. opened 42 new stores - 41 supermarkets and 1 Ramstore abroad - and made TL 62,226 thousand capital expenditures. The fact that Migros offers fresh and high quality products to customers at affordable prices has ensured that customers are more likely to prefer the brand in the sector.

The Company operates a network of 1,794 stores in total at the end of March 31, 2017, of these 1,510 Migros, 23 5M, 15 Wholesale stores and 39 Macrocenter stores in seven geographical regions throughout Turkey, as well as 18 Ramstores and 1 Macrocenter in Kazakhstan and 20 Ramstores in Macedonia operated through its subsidiaries abroad.

Stores opened in Turkey:

40 Migros stores			
<u>M (12 stores)</u>	<u>MM (8 stores)</u>	<u>MMM (1 store)</u>	<u>Migros Jet (19 stores)</u>
Adana (1) Ankara (1) Antalya (1) Artvin (1) Burdur (1) Denizli (1) İzmir (1) Karabük (1) Kayseri (1) Mersin (2) Zonguldak (1)	Ankara (1) Eskişehir (1) İstanbul (3) Kahramanmaraş (1) Sivas (1) Şanlıurfa (1)	Kayseri (1)	Ankara (2) Antalya (1) Aydın (1) Bursa (1) Denizli (1) Diyarbakır (1) Erzurum (2) Gaziantep (1) Hatay (1) İstanbul (3) İzmir (2) Osmaniye (1) Sakarya (1) Yalova (1)

1 Macrocenter store
İstanbul (1)

Stores opened abroad:

1 Ramstore
Kazakhstan (1)

SECTION 4: CORPORATE GOVERNANCE

SAHA Corporate Governance and Credit Rating Services, Inc. ("SAHA"), rated our Company in 2016 in accordance with the Corporate Governance Principles issued by the Capital Markets Board.

The Corporate Governance Rating of our Company was disclosed as 9.50 (95.01%) as of December 30, 2016 by SAHA in their report made public.

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

Sub Sections	Weight	Rating (%)
Shareholders	25%	95.45
Public Disclosure and Transparency	25%	97.56
Stakeholders	15%	99.51
Board of Directors	35%	90.95
Average	100%	95.01

Statement of Compliance with Corporate Governance Principle

Migros Ticaret A.Ş. is taking necessary steps to adopt the "**Communiqué on Corporate Governance (II-17.1)**", which were announced by the Capital Markets Board of Turkey (CMB). The application of the main principles of Corporate Governance, which are fairness, transparency, responsibility and accountability are continuously reviewed, deficiencies are addressed with the aspiration of becoming an exemplary role model. The Company has adopted the main principles of Corporate Governance which are:

- a) Fairness
- b) Transparency
- c) Responsibility
- d) Accountability.

Migros Corporate Governance Principles Compliance Report, in addition to the annual report, can be accessed at the corporate website (www.migroskurumsal.com) in the Investor Relations section.

Corporate Governance Committee

The working principles of the Corporate Governance Committee are determined by the Board of Directors in line with the requirements of "**Communiqué on Corporate Governance (II-17.1)**" and the requirements of Turkish commercial law. The committee's duties consist of overseeing the company's compliance with corporate governance principles, with taking such action as may be required by current Capital Markets Law and other applicable laws, regulations, and administrative provisions, and with making such recommendations to the Board of Directors as may be deemed to be necessary to constantly improve the company's performance in the area of corporate governance.

A corporate governance committee was set up in 2007 and charged with monitoring corporate governance activities throughout the company and with overseeing the work of the Investor Relations Department.

Furthermore, within the scope of the "**Communiqué on Corporate Governance (II-17.1)**", it has been resolved that the Corporate Governance Committee will be responsible for the duties of the Nomination Committee and the Remuneration Committee. The committee, consists of five members, convenes four times in a year.

Investor Relations

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

In addition, the Investor Relations communicates directly with various institutions including the Capital Markets Board (CMB), Borsa Istanbul (BIST), Central Registry Agency (CRA) and Takasbank (ISE Settlement and Custody Bank Inc.) and represents the Company. Keeping records of the Board of Directors meetings and material disclosures to the Public

Disclosure Platform (KAP) in compliance with the CMB Communiqué on Material Events are among the Department's other activities. Migros' Investor Relations Department keeps up with relevant legislation as well as CMB communiqués and informs the senior management on the matters requiring compliance.

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

All shareholders requesting information about Migros can submit their queries by sending e-mail to investor_relations@migros.com.tr. All other channels of communication are also available for the shareholders.

Other Matters

The stakeholders can reach the Corporate Governance Principles Compliance Report as well as the information on corporate social responsibility activities which has an impact on social and environmental matters, employees' rights and their vocational training at the Company corporate website at www.migroskurumsal.com. The assessment of the Board of Directors on the Committees' work guidelines and their effectiveness is included in the Corporate Governance Principles Compliance Report.

As announced on October 25, 2016 by Borsa Istanbul, Migros which was included in the BIST - Sustainability Index since the beginning of the index in 2014 was found eligible to stay in index, as the only food retailer so far. The documents on sustainability efforts of the Company are posted on the Company corporate website under the Investor Relations page.

Information about various lawsuits filed against or in favour of the Group is provided in the Note 11 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2017 of the Company. There are no administrative or judicial sanctions against the Company or members of the Board of Directors as a result of practices contrary to legislative provisions.

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

Donations and Assistance

According to the CMB's Communiqué on Dividends (II-19.1), the General Assembly must be notified and informed of all donations made during the year. Our Company has donated a total of TL 537,416.40 to associations and foundations in 2016.

The 2016 General Assembly had resolved that the upper limit to donations and assistance provided in 2017 would be TL 1,000,000.

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

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

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

Research and Development Activities

The Company's total R&D expenditures for first quarter of 2017 is TL 3,649 thousand (1Q 2016: TL 2,923 thousand).

Migros Ticaret A.Ş., which was issued an R&D Center certificate from the Ministry of Science, Industry and Technology, has been continuing with its technical research and development activities in areas of business and software development in 2017.

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

Subsequent Events

Information about subsequent events is provided in the Note 25 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2017 of the Company.