MİGROS

MİGROS TİCARET A.Ş.

01.01.2021 – 31.03.2021 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**
Share Capital	**: TL 181,054,233**
Capital Ceiling	**: TL 500,000,000**
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.*

INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) grew by 1.8% in 2020 in real terms. The consumption expenditures of households increased by 3.2% year on year during the same period.

The annual CPI, which was 14.6% in 2020, grew by 16.19% in March 2021 versus the same month of the previous year. The prices of food and non-alcoholic beverages rose by 17.44% in comparison to last year. According to the latest Inflation Report of the Central Bank of Turkey (CBRT), the annual CPI is expected to be between 10.0% and 14.4% (mid-point of 12.2%) by the end of 2021.

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
Kamilhan Süleyman Yazıcı	Vice Chairman
Talip Altuğ Aksoy	Board Member
Mehmet Hurşit Zorlu	Board Member
Esel Yıldız Çekin	Board Member
Rasih Engin Akçakoca	Board Member
Recep Yılmaz Argüden	Board Member
Ömer Özgür Tort	Board Member and CEO
İzzet Karaca	Independent Board Member
Hüseyin Faik Açıkalın	Independent Board Member
Şevki Acuner	Independent Board Member
Tom Heidman	Independent Board Member

At the ordinary general assembly meeting held on April 29, 2020, Tuncay Özilhan, Kamilhan Süleyman Yazıcı, Talip Altuğ Aksoy, Mehmet Hurşit Zorlu, Esel Yıldız Çekin, Rasih Engin Akçakoca, Recep Yılmaz Argüden and Ömer Özgür Tort were elected as members of the Board of Directors and İzzet Karaca, Hüseyin Faik Açıkalın, Şevki Acuner and Tom Heidman were elected as independent members of the Board of Directors until the General Assembly Meeting of the Company's for the year of 2020. Board members' résumés are provided at the Company corporate website at www.migroskurumsal.com.

Information on external positions held by Board members and Independent Board Members' Affidavit is provided at the Company corporate website at www.migroskurumsal.com. 11 Board resolutions were taken in the first quarter of 2021.

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 the Company's Articles of Association. The Board of Directors of the Company were appointed at the 2019 Ordinary General Assembly Meeting dated April 29, 2020 until the General Assembly Meeting in which the Company's 2020 accounts are to be discussed.

Committees of Board of Directors

In accordance with the Board of Directors resolution dated May 20, 2020, 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
Şevki Acuner	Member	Non-executive

Corporate Governance Committee		
Hüseyin Faik Açıkalın	President	Non-executive
Esel Yıldız Çekin	Member	Non-executive
Recep Yılmaz Argüden	Member	Non-executive
Mehmet Hurşit Zorlu	Member	Non-executive
Affan Nomak	Member	Investor Relations & Risk Management

Early Recognition of Risk Committee		
Tom Heidman	President	Non-executive
Talip Altuğ Aksoy	Member	Non-executive
Hüseyin Faik Açıkalın	Member	Non-executive

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.

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.

The 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.

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.

The 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.

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 numbered 6102, 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.

The Committee convenes six 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.

Senior Management

Migros Senior Management consists of Executive Committee members Ömer Özgür Tort (CEO), Mustafa Murat Bartın (COO) and Ekmel Nuri Baydur (CMO), and Assistant General Managers Ferit Cem Doğan (CFO), Hakan Şevki Tuncer (Chief Expansion & Property Officer), Tarık Karlıdağ (Chief Construction Officer), Bülent Kuntay (Chief Supply Chain & Logistics Officer), Kerim Tatlıcı (Chief Information Officer) and Olcay Yılmaz Nomak (CHRO).

Cem Lütfi Rodoslu, who served as a Member of the Executive Committee (CMO) in 2020, retired as of 31 January 2021.

Senior management compensation

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

Total compensation provided to the key management personnel by the Company for the periods ended 31 March 2021 and 31 March 2020 has been provided at Note 20 of Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2021 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 2021, the Company employs 38,368 employees including its subsidiaries in Turkey and abroad (31 December 2020: 38,458).

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:

As of March 31, 2021;

Subsidiaries	Country of incorporation	Geographical segment	Nature of business	March 2021 (%)	Dec. 2020 (%)
Ramstore Kazakhstan LLC	Kazakhstan	Kazakhstan	Shopping mall operation	100.0	100.0
Moneypay Ödeme ve Elektronik Para Hizmetleri A.Ş. (*)	Turkey	Turkey	Payment & electronic money service	80.0	80.0
Paket Lojistik ve Teknoloji A.Ş. (*)	Turkey	Turkey	Logistics	25.0	25.0

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

The Divestiture of Ramstore Macedonia DOO ("Ramstore Macedonia")

As stated in our Company's public disclosure dated 01 February 2021, in line with our growth targets as well as our strategic focus in markets where we operate; Ramstore Macedonia DOO ("Ramstore Macedonia") operations, which is engaged in shopping mall management and retailing in North Macedonia, was re-evaluated.

As stated in our Company's public disclosure on 10 March 2021, the share purchase agreement concerning the share transfer of our dormant subsidiary Ramstore Bulgaria EAD ("Ramstore Bulgaria"), which holds 99% of the shares in Ramstore Macedonia, to CITY PLAZA DOO Skopje have been executed and the transaction price was determined as EUR 39,161,132 excluding taxes.

In our public disclosure dated 29 March 2021, it was announced that the abovementioned share transfer was completed and the transaction value was received.

Following this divestiture, our company has no stake left in Ramstore Bulgaria EAD and Ramstore Macedonia DOO.

The amount which was derived on the disposal of our subsidiary is planned to be used for deleveraging of the Company.

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.

As announced in the public disclosure of our Company's shareholder Kenan Investments S.A. dated 26 January 2021, Kenan Investments S.A. sold its Migros shares with nominal value of TL 21,308,336 at a sales price of TL 44.15 per share. Following the transaction, Kenan Investments S.A. does not have any stake left in Migros.

The share capital of our Company is TL 181,054,233. The capital structure is as follows:

As of 31 March 2021;

Migros Ticaret A.Ş. Shareholding Structure		
Shareholder	**Amount (TL)**	**Share (%)**
MH Perakendecilik ve Ticaret A.Ş.	89,046,058	49.18
Other	89,046,059	49.18
Migros Ticaret A.Ş.	2,962,116	1.64
Total	**181,054,233**	**100.00**

As of 31 December 2020;

Migros Ticaret A.Ş. Shareholding Structure		
Shareholder	**Amount (TL)**	**Share (%)**
MH Perakendecilik ve Ticaret A.Ş.	89,046,058	49.18
Kenan Investments S.A.	21,308,336	11.77
Migros Ticaret A.Ş.	2,962,116	1.64
Other	67,737,723	37.41
Total	**181,054,233**	**100.00**

Information About the Most Recent Capital Increase

No increase was made in the capital during January 01 – March 31, 2021.

Information on General Assembly Meeting

General Assembly Meeting

Meeting Minutes and List of Attendees pertaining to 2019 Ordinary General Assembly Meeting of our Company dated April 29, 2020 were disclosed in our corporate web site (www.migroskurumsal.com) and the Public Disclosure Platform (KAP). In the Ordinary General Assembly Meeting, the consolidated financial statements dated 31.12.2019, which was prepared in accordance with TFRS, and the other agenda articles were duly accepted.

Information regarding the General Assembly Meeting was posted in the Turkish Trade Registry Gazette, the company's corporate website at www.migroskurumsal.com, Public Disclosure Platform and the Electronic General Assembly Portal of Central Registry Agency.

Amendments in the Articles of Association

No change was made in the Articles of Association during January 01 – March 31, 2021.

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 2019 Ordinary General Assembly Meeting dated April 29, 2020, DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. was elected as auditor for 2020 fiscal year.

As announced in our public disclosure dated 24 March 2021, by taking the report of the Audit Committee into consideration, the Board of Directors resolved to appoint DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the independent auditor for 2021 and to submit this proposal to the General Assembly's approval which will be held on 26 May 2021.

The Dividend Policy of Migros

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

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

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

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

SECTION 2: FINANCIAL INFORMATION

Sales

(Thousand TL)	Jan. 01 – March 31, 2021	Jan. 01 – March 31, 2020
Domestic sales	7,806,354	6,398,950
Foreign sales	5,854	61,142
Other sales	10,845	8,586
Gross sales	**7,823,053**	**6,468,678**
Less: Discounts and returns	-133,962	-121,081
Sales revenue, net	**7,689,091**	**6,347,597**

Financial Statements

Migros - IFRS Consolidated Income Statement Summary (Thousand TL)	Jan. 01 – Mar. 31, 2021	(%)	Jan. 01 – Mar. 31, 2020	(%)
Net Sales	**7,689,091**	**100.0**	**6,347,597**	**100.0**
Cost of sales (-)	-5,566,837	-72.4	-4,651,340	-73.3
Gross Profit	**2,122,254**	**27.6**	**1,696,257**	**26.7**
Operating Expenses	-1,727,048	-22.5	-1,395,812	-22.0
Other Operating Income / (Expense)	-137,705	-1.8	-65,943	-1.0
Operating Profit	**257,501**	**3.3**	**234,502**	**3.7**
Income / (Expense) from investment activities	211,679	2.8	-1,469	0.0
Operating Income Before Financial Income / (Expense)	**469,180**	**6.1**	**233,033**	**3.7**
Financial Income / (Expense)	-227,866	-3.0	-377,298	-5.9
Income/Loss Before Tax	**241,314**	**3.1**	**-144,265**	**-2.3**
Tax Income / (Expenses)	-56,619	-0.7	-32,284	-0.5
Deferred Tax Income	24,137	0.3	42,891	0.7
Net profit / loss from continuing operations	**208,832**	**2.7**	**-133,658**	**-2.1**
Net profit / loss from discontinuing operations	678	0.0	1,791	0.0
Net Profit / Loss	**209,510**	**2.7**	**-131,867**	**-2.1**
Non-controlling Interest	0	0.0	24	0.0
Equity holders of Parent	209,510	2.7	-131,891	-2.1

EBITDA	**467,052**	**6.1**	**366,982**	**5.8**
EBITDA (with IFRS 16 impact)	**679,592**	**8.8**	**563,596**	**8.9**
EBITDAR	**816,685**	**10.6**	**662,437**	**10.4**

Migros IFRS Consolidated Balance Sheet Summary (Thousand TL)	March 2021	(%)	December 2020	(%)
Current Assets	6,458,134	44.6	7,330,921	47.7
Non-current Assets	8,018,066	55.4	8,047,138	52.3
Total Assets	**14,476,200**	**100.0**	**15,378,059**	**100.0**
Current Liabilities	10,226,178	70.6	10,402,951	67.6
Non-current Liabilities	4,215,958	29.1	4,941,647	32.1
Total Liabilities	**14,442,136**	**99.8**	**15,344,598**	**99.8**
Equity Attributable to Owners of Parent	34,064	0.2	31,061	0.2
Non-controlling Interest	0	0.0	2,400	0.0
Total Equity	**34,064**	**0.2**	**33,461**	**0.2**
Total Liabilities and Equity	**14,476,200**	**100.0**	**15,378,059**	**100.0**

Financial Structure and Profitability Ratios

LIQUIDITY RATIOS	March 2021	December 2020
Current Ratio	0.63	0.70

FINANCIAL STRUCTURE RATIOS	March 2021	December 2020
Financial Leverage (Total Liabilities / Total Liabilities & Equity)	1.00	1.00
Total Liabilities / Equity	423.97	458.58
Financial Liabilities *(w/o Lease Liabilities)* / Total Assets	0.21	0.25
Net Cash Position *(w/o Lease Liabilities)* (Thousand TL)	-721,471	-603,537

PROFITABILITY RATIOS (%)	Jan. 01 – Mar. 31, 2021	Jan. 01 – Mar. 31, 2020
Gross Profit Margin	27.1%	26.4%
Gross Profit Margin (with IFRS 16 impact)	27.6%	26.7%
Operating Profit Margin	3.3%	3.7%
EBITDA Margin	6.1%	5.8%
EBITDA Margin (with IFRS 16 impact)	8.8%	8.9%
EBITDAR Margin	10.6%	10.4%
Net Profit / Loss Margin	2.7%	-2.1%

SHARE PERFORMANCE RATIOS	March 2021	December 2020
Market Cap (Thousand TL)	6,336,890	7,568,057
Share Price (TL)	35.00	41.80
Earnings Per Share (EPS) from continuing operations (TL)	1.15	-0,73
Earnings Per Share (EPS) from discontinuing operations (TL)	0.00	0.01

Financial Evaluation

Migros recorded TL 7.7 billion consolidated sales turnover in 1Q 2021 excluding the discontinued operations in North Macedonia, corresponding to a top-line growth of 21.1%. The Company's domestic sales growth was 22.2% in the first quarter of the year. The continued strong sales performance of online operations and increased home consumption due to the pandemic contributed significantly to the consolidated growth.

Migros opened 59 new stores in the first quarter of 2021. In addition to increasing online service capacity and geographical coverage in 2020, Migros continues to expand its online service network in 81 provinces of Turkey in 2021. The number of online service stores increased from 529 to 706 in the first 3 months of the year. 'Migros Hemen', a 30-minute delivery solution, now operates in 23 cities via a network of 127 stores. Tazedirekt started to serve in Bursa and Kocaeli after Istanbul and Ankara.

In 1Q 2021, the consolidated EBITDA including IFRS 16 impact increased by 20.6% and reached TL 680 million corresponding to an EBITDA margin of 8.8%. The Company reported a net consolidated profit of TL 210 mn in 1Q 2021, mostly due to the accounting reflection of the divestiture of North Macedonian operations in the consolidated results.

Migros maintains its financial expectations for the year of 2021. The Company opened 82 new stores and targets to open ~170 new stores in total in the full year of 2021. Capital expenditures is expected to increase from TL 539 million in 2020 to ~TL 600 million in 2021. Capital expenditures include requirements for new store openings, online operations, maintenance and IT expenditures. The Company expects 15-18% consolidated top-line growth and 8-8.5% consolidated EBITDA margin with IFRS 16 impact.

The Dividend Distribution

In the Board of Directors meeting on 31 March 2021, the Board of Directors discussed the dividend distribution proposal which will be submitted to the General Assembly. Accordingly;

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 resolved to submit no dividend distribution to the approval of General Assembly for 2020 fiscal year as the company recorded net loss in the 2020 consolidated financial statements prepared in accordance with the Turkish Commercial Code and CMB legislation.

The Board of Directors' dividend distribution proposal will be submitted to the approval of the shareholders at the 2020 Ordinary General Assembly meeting on 26 May 2021.

The financial resources and the risk management policies

Financial Debts

As of 31 March 2021, the outstanding financial loans and bonds of the Company stands at TL 3,063,588 thousand (TL 5,939,255 thousand including IFRS 16). Detailed information related to financial debts is provided in the Note 8 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2021 of the Company.

The redemption schedule of principal amounts of financial debt at 31 March 2021:

(Thousand TL)	Tenge Loan TL Equivalent	Euro Loan TL Equivalent	TL Loan	Total TL Equivalent	Percentage (%)
1 April 2021 - 31 March 2022	8,341	-	1,090,523	1,098,864	36.8%
1 April 2022 - 31 March 2023	22,117	-	547,197	569,314	19.1%
1 April 2023 - 31 March 2024	21,981	335,138	416,165	773,284	25.9%
1 April 2024 - 31 March 2025	16,479	-	341,636	358,115	12.0%
1 April 2025 - 12 September 2025	3,360	-	183,378	186,738	6.3%
	72,278	**335,138**	**2,578,899**	**2,986,315**	**%100.0**

Our Company's foreign currency bank debt is nil as of April 2021.

Risk Management and Internal Control Mechanism

Pursuant to the applicable provisions of the Turkish Commercial Code, the Early Detection of Risk Committee, which is charged with early diagnosis of risks that may threaten the existence, development and survival of the Company, and with ensuring that necessary actions are taken in relation to those risks, carried on with its activities.

Within the scope of the activities conducted with the Company employees, the Committee follows up various risk indicators, which have been created to ensure identification of the risks that could preclude the achievement of the Company's strategic business goals, to monitor the factors that make up these risks, to determine and measure the probability and impact of the risks, and follows up the risk criteria deemed important.

These risk indicators are analyzed and followed up by the related Company units, and changes are monitored by the Early Detection of Risk Committee. In periodic meetings, the Early Detection of Risk Committee evaluates whether appropriate actions have been taken.

The company was exposed to financial risks in regard of the fluctuations in foreign exchange rates mainly due to the foreign exchange denominated loans which was used in the previous years. Therefore, the Company's shareholders' equity had decreased in the last periods. Migros, in order to reduce its balance sheet risk, significantly reduced its Euro debt in 2020. With the early payment made in April 2021, the Company's gross foreign currency bank debt is nil as of April 2021. Thus, the exchange rate risk due to the financial debts in the previous years has been eliminated. Detailed information has been provided at Note 21, titled Exchange Rate Risk and Foreign Currency Position, of Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2021 of the Company. On the other hand, the Company aims to decrease its interest expenses by reducing its TL debts in the upcoming periods.

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.

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

• Effective utilization of the resources of the Company,

• Effectiveness of the internal control mechanisms on operations,

• 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 problems 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 the risk based audit approach and the year’s internal control plan, 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. Similar risk analysis and audits were conducted in the first quarter of 2021. Furthermore, the program for risk analysis and audits was reviewed and updated in line with the requirements of COVID-19 pandemic conditions.

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

Bond Issuances

The details of the debt securities (corporate bonds) with floating-rates that the Company issued exclusively for domestic qualified investors are as follows:

ISIN Code	Issue Amount *(TL)*	Issue Date	Maturity	Maturity *(Days)*	Coupon Number	Number of Coupons Paid
TRSMGTI72110	75,000,000	19.07.2018	14.07.2021	1,091	12	11/12
TRSMGTI22115	200,000,000	27.02.2019	24.02.2021	728	8	8/8
TRSMGTIA2118	200,000,000	23.12.2019	20.12.2021	728	8	5/8
TRSMGTI62228	150,000,000	10.06.2020	08.06.2022	728	8	3/8
TRSMGTI62210	100,000,000	10.06.2020	08.06.2022	728	8	3/8

The total of debt securities issued by our Company reached TL 846 million so far. In this bond issuances, the bonds with ISIN code TRSMGTI72011 nominal value of TL 75 million, the bonds with ISIN code TRSMGTIE2015 nominal value of TL 46 million and the bonds with ISIN code TRSMGTI22115 nominal value of TL 200 million were redeemed.

In our public disclosure dated 04 August 2020, it was announced that Migros Board of Directors made a resolution to determine the issuance limit of debt instruments. The application for the approval of the issuance certificate(s) was submitted to CMB on 06 August 2020 and CMB provided an issuance limit of TL 500,000,000 for the debt instruments on 20 August 2020.

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, 2021, Migros Ticaret A.Ş. opened 59 new stores - 34 Migros, 24 Migros Jet and 1 Wholesale - and made TL 105,833 thousand capital expenditures.

The Company operates a network of 2,330 stores in total at the end of March 31, 2021, including 1,315 supermarkets, 872 Migros Jets, 55 hypermarkets, 62 Macrocenter and 23 wholesale stores in seven geographical regions throughout Turkey.

New stores opened;

M		MM		Migros Jet	
Adana	1	Ankara	2	Adıyaman	1
Ankara	1	Denizli	1	Antalya	2
Antalya	2	İstanbul	1	Aydın	1
Ardahan	1	Kahramanmaraş	1	Çanakkale	1
Burdur	1	Kocaeli	1	Gaziantep	1
Bursa	1	Mersin	2	Isparta	1
Eskişehir	1			İstanbul	7
Gaziantep	2			Manisa	1
Isparta	1			Mersin	2
İstanbul	6			Muğla	1
Kastamonu	1			Osmaniye	2
Kocaeli	1			Tekirdağ	1
Mersin	1			Uşak	2
Niğde	1			Yalova	1
Ordu	2				
Sakarya	1				
Samsun	1				
Van	1				
TOTAL	**26**	**TOTAL**	**8**	**TOTAL**	**24**

Wholesale	
Sivas	1
TOTAL	**1**

SECTION 4: CORPORATE GOVERNANCE

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

The Corporate Governance Rating of our Company was disclosed as 9.67 (96.69%) as of December 28, 2020 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%	95.83
Public Disclosure and Transparency	25%	98.38
Stakeholders	15%	99.51
Board of Directors	35%	94.88
Average	**100%**	**96.69**

Statement of Compliance with Corporate Governance Principle

Migros Ticaret A.Ş complies with the "**Communiqué on Corporate Governance (II-17.1)**", which were announced by the Capital Markets Board of Turkey (CMB) and always aims to improve the principles therein. 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.

Pursuant to the Capital Markets Board of Turkey (CMB) resolution no. 2/49 dated 10 January 2019, Corporate Governance Compliance Reporting, which is made under the Corporate Governance Communiqué no. II-17.1, shall be made using the Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) on the Public Disclosure Platform (KAP). The said reports can be reached under the Corporate Governance tab on the KAP website.
(https://www.kap.org.tr/en/sirket-bilgileri/ozet/1494-migros-ticaret-a-s)

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

i. On 29 July 2020, Fitch Ratings upgraded our Company's National Long-Term Rating to 'AA(tur)' from 'A+(tur)' with Positive Outlook. On 28 August 2020, Fitch Ratings announced that it reviewed Migros' National Long-Term Rating 'AA(tur)' and affirmed Migros at 'AA(tur)' with Positive Outlook.

ii. 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.

iii. As announced on November 26, 2020 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.

iv. Information about various lawsuits filed against or in favour of the Company is provided in the Note 9 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2021 of the Company.

v. Information on tax assets and liabilities is provided in the Note 17 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2021 of the Company.

vi. Information on related parties is provided in the Note 20 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2021 of the Company.

vii. The collective labor agreement, which covers the period of 01.01.2020 - 31.12.2022, was signed on March 30, 2020 by our Company and Tez-Koop. Labor Union. Our Company announced this agreement by a public disclosure on March 30, 2020.

Donations and Assistance

The upper limit to donations and assistance to grant in 2020 was approved as TL 2,500,000 at the General Assembly.

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 2021 is TL 13,131 thousand (1Q 2020: TL 9.853 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 2021.

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.

Our Sustainability Approach

The notion of sustainability is both the core of Migros' business model and the engine that powers its efforts to create value for all of its stakeholders. Migros addresses sustainability-related environmental, social, and economic-priority issues, focus issues, and roadmap issues under twelve separate headings in its "Migros Better Future Plan". To this end, activities are undertaken to address many different issues such as protecting biodiversity, supporting sustainable agriculture, preventing food waste, reducing plastic waste, combating climate change, standardizing product content information and making it more transparent, making products and services more accessible through digitalization, promoting gender and opportunity equality, and contributing to public wellbeing.

Migros announces in its annual report if the Company complies with the sustainability principles, the reasons of not complying to these principles, if any; and the impact on its environmental and social risk management because of not fully complying to these principles. There is not any material change in these announcements during the reporting period.

The Sustainability Report of the Company is posted on the Company corporate website under the Investor Relations page.

Subsequent Events

Information about subsequent events is provided in the Note 24 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 31 March 2021 of the Company.